



Daily Report

China

FBIS-CHI-00-052
Friday
15 March 1966

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Daily Report

China

FBIS-CHI-96-052

CONTENTS

15 March 1996

NOTICE: An * indicates material not disseminated in electronic form.

INTERNATIONAL AFFAIRS

General

PRC: Spokesman: Dispatch of Aircraft Carriers 'Reckless Move' [Hong Kong TA KUNG PAO 15 Mar]	1
PRC: Spokesman Voices 'Strong Indignation' With U.S. Bill [XINHUA]	2
PRC: Spokesman: U.S. Should Maintain 'Stable Policy' With PRC [XINHUA]	2
PRC: Spokesman Says Qian, Christopher Meeting Possible [ZHONGGUO XINWEN SHE]	2
PRC: Spokesman: Luo Gan To Visit Latin American 21 Mar-5 Apr [XINHUA]	3
PRC: XINHUA Branch Views U.S. Carriers, UK Minister's Remarks [Hong Kong TA KUNG PAO 15 Mar]	3
PRC: Human Rights Used as 'Weapon Against Developing Countries' [CHINA DAILY 14 Mar]	4

United States & Canada

PRC: 'Well-Placed Source' on Consequence of U.S. Interference [Tokyo KYODO]	5
PRC: Article Views U.S. Taiwan Policy [LIAOWANG 4 Mar]	5
PRC: 'No Reason' Seen for Direct U.S. Intervention [Hong Kong WEN WEI PO 14 Mar]	7

Southeast Asia & Pacific

PRC: Vice Foreign Minister Visits With Philippines' Ramos [XINHUA]	8
PRC: Bilateral Agreements Reached With Philippines [XINHUA]	8

Near East & South Asia

PRC: Delhi Reports on Defense Meeting in Beijing [Delhi Radio]	9
PRC: 'Exclusive Interview' With Palestinian Envoy [XINHUA]	9
PRC: Further on Palestinian Envoy's 'Exclusive Interview' [XINHUA]	9
PRC: 'Roundup' Views Israel's Antiterrorism Campaign [XINHUA]	10

West Europe

PRC: France Reportedly Against Geneva Human Rights Motion [Hong Kong SOUTH CHINA MORNING POST 15 Mar]	12
---	----

East Europe

PRC: Chi Haotian, FRY Defense Minister Hold Talks [XINHUA]	12
--	----

NATIONAL AFFAIRS

NPC

PRC: Jiang Zemin Responds to PLA Call for More Funds [Hong Kong SING TAO JIH PAO 15 Mar]	14
PRC: NPC Taiwan Delegates View Independence Activities [Tokyo KYODO]	14
PRC: NPC Views Aid to Taiwan on Nuclear Waste Problem [XINHUA]	14
PRC: Presidium of NPC Session Convenes 2d Meeting 14 Mar [XINHUA]	15

PRC: Finance Minister on Economic Growth Mode Shift at NPC [XINHUA]	15
PRC: NPC Deputy on Central Bank Competing With Overseas Banks [XINHUA]	16
PRC: Beijing To 'Strengthen Implementation' of Consumer Laws [ZHONGGUO XINWEN SHE]	16
PRC: Report on 1996 Draft Development Plan Made at NPC [XINHUA]	17
PRC: NPC Deliberates Long-Range Development Program [XINHUA]	17
PRC: Li Peng Meets With NPC Delegates From Shandong 14 Mar [XINHUA]	18
PRC: Chen Jinhua Reports to NPC Session [XINHUA]	19
PRC: Chen Jinhua Views Development Plan at Press Briefing [XINHUA]	20
PRC: Deputies Call For Stronger NPC Supervisory Mandate [ZHONGGUO XINWEN SHE]	21
PRC: NPC Deputy Says Statistical Exaggerations Must Stop [XINHUA]	21
PRC: SEZ Official Views Special Economic Zone Role, Policy [XINHUA]	22
PRC: NPC Deputies Discuss Regional Economic Disparities [XINHUA]	22
PRC: Minister Discusses Reform of State-Owned Enterprises [ZHONGGUO XINWEN SHE]	24
PRC: Jiangsu Governor Holds News Conference at NPC [XINHUA]	24
PRC: Tibet Deputies Pledge Grain Self-Sufficiency [XINHUA]	25
PRC: Shenzhen, Hong Kong Deputies Propose Water Project [ZHONGGUO XINWEN SHE]	25
PRC: Euthanasia Proposal by Shanghai NPC Delegates Noted [ZHONGGUO XINWEN SHE]	25
PRC: Tibetan NPC Deputies Stress Economy, Environment [XINHUA]	26
PRC: Li Peng Discusses Environmental Protection at NPC [XINHUA]	26

CPPCC

PRC: Li Ruihuan Speech to Hong Kong, Macao CPPCC Members [Hong Kong TA KUNG PAO 12 Mar]	27
---	----

Political & Social

PRC: Opinion Poll Shows Declining Sense of Social Order [Hong Kong MING PAO 6 Mar]	31
*PRC: Centralization of Macroeconomic Control Explained [QIANXIAN 5 Jan]	31
PRC: Police Arrest 20 Heroin Dealers in Shanghai [ZHONGGUO XINWEN SHE]	33

Science & Technology

PRC: Ministries Cooperate on Telecommunications Policy [ZHONGGUO XINWEN SHE]	33
PRC: Shenzhen Plans Multimedia Information Network [Hong Kong TA KUNG PAO 28 Feb]	34
PRC: Researchers Develop High-Speed Railway Switch [XINHUA]	34
PRC: Research Team Makes Turbine Technology Breakthrough [XINHUA]	34

Military & Public Security

PRC: 'Military Source': CMC Meets, No Decision To Attack Taiwan [Hong Kong SING TAO JIH PAO 14 Mar]	35
PRC: Exercise Has 'Significant Role' for Future [Hong Kong WEN WEI PO 14 Mar]	36
PRC: More Warships Said Assembling Near Dongshan Island [Hong Kong SING TAO JIH PAO 15 Mar]	37
PRC: Military Observer Cited on Exercise Assault Tactics [Hong Kong WEN WEI PO 15 Mar]	38
PRC: More on Setting Up of Southeast China Theater [Hong Kong HSIN PAO 15 Mar]	39
PRC: Impact of Exercise on Fujian Reported [Hong Kong MING PAO 15 Mar]	41
PRC: 2d Artillery Force Completes Missile Launch [XINHUA]	41
PRC: XINHUA Announces PLA Missile Launching Training Ends	42
PRC: PLA Joint Exercises in Taiwan Strait Set for 18-25 Mar [XINHUA]	42
PRC: AFP Reports Liu Huaqing's Comments on National Defense [AFP]	42
PRC: Mainland's Military Options Against Taiwan Examined [London THE TIMES 15 Mar]	43
PRC: Sichuan CPC Secretary on People's Armed Police [JIEFANGJUN BAO 24 Feb]	44

PRC: Li Peiyao Incident Halts Armed Police Expansion [Hong Kong MING PAO 24 Feb]	45
---	----

ECONOMIC AFFAIRS

NPC

PRC: Outlook for State Coal Firms Discussed [ZHONGGUO XINWEN SHE]	47
PRC: Ministry Predicts Increased Demand for Autos [ZHONGGUO XINWEN SHE]	47
PRC: Analysts Predict Growing Cooperation Between Regions [XINHUA]	47
PRC: Artist Wins Copyright Infringement Lawsuit [XINHUA]	48
*PRC: Center Analyzes 1995 Prices, Forecasts 1996 [ZHONGGUO WUJIA Jan]	48
PRC: Statistics Bureau Report Views Problems in State Firms [ZHONGGUO XINWEN SHE]	52
PRC: Wang Zhongyu on State-Owned Enterprise Reform [CHINA DAILY 15 Mar]	53
PRC: Minister on Progress in Reform of State-Owned Firms [XINHUA]	53

Finance & Banking

PRC: Central Bank Reforming Loan Management Policy [ZHONGGUO XINWEN SHE]	54
PRC: Losses From 'Illegal Foreign Exchange Trades' Cited [Hong Kong EASTERN EXPRESS 15 Mar]	54
*PRC: People's Bank President Views Monetary Policy [JINGJI RIBAO 22 Jan]	55
*PRC: 1995 Fourth Quarter Financial Statistics Issued [JINRONG SHIBAO 1 Feb]	58
PRC: Construction Bank Finances Infrastructure Projects [XINHUA]	63

Foreign Trade & Investment

PRC: Foreign Investment Follows Beijing-Kowloon Rail Line [ZHONGGUO XINWEN SHE]	63
PRC: Import Contract Signed for ADB-Financed Project [XINHUA]	64
PRC: Dalian Investment Climate Attracts Foreign Funds [XINHUA]	64
PRC: Heilongjiang City To Open Wider to Foreign Trade [ZHONGGUO XINWEN SHE]	64
PRC: Imports Rise 70% in Shanghai's Pudong New Area [XINHUA]	65
PRC: More Overseas Investment Cited in Pudong New Area [XINHUA]	65
PRC: New Shenzhen Copyright Bureau Destroys Illegal Tapes [CHINA DAILY 15 Mar]	65

Agriculture

*PRC: Effect of Continued Sugar Smuggling Reviewed [JINGJI CANKAO BAO 1 Feb]	66
*PRC: Gansu Reports Grain Procurement Figures [GANSU RIBAO 18 Feb]	67
*PRC: Sugarcane Market Deregulation in Hainan Viewed [ZHONGGUO WUJIA Dec]	67
PRC: Henan Farmers Tackle Water Conservation Projects [XINHUA]	72
*PRC: Agriculture Scale Management in Jiangsu, Jiangxi [ZHONGGUO WUJIA Jan]	72
*PRC: Xinjiang Reports Planned Grain Area [JINGJI CANKAO BAO 28 Feb]	77
*PRC: Yunnan Farmer Income Increases in 1995 [XINAN JINGJI RIBAO 14 Feb]	77

PRC MEDIA ON TAIWAN AFFAIRS

PRC: Article Criticizes Li Teng-hui's 'Democracy Ploy' [XINHUA]	78
PRC: Spokesman Shen Guofang on Cross-Strait Situation [Beijing TV]	79
PRC: Cross-Strait Relations 'Haunted' by U.S. Shadow [CHINA DAILY 14 Mar]	79
*PRC: 'Taiwan Question' in Asia-Pacific Power Politics Viewed [ZHONGGUO GUOQING GUOLI 28 Nov]	80

TAIWAN

Taiwan: Peng Welcomes World Concern Over Strait Situation [Taipei CHUNG-KUO SHIH-PAO 14 Mar]	85
--	----

Taiwan: Foreign Ministry Gratified by EU Parliament Support [CNA]	85
Taiwan: Foreign Governments Draw Up 'Plans To Evacuate' [Hong Kong EASTERN EXPRESS 14 Mar]	86
Taiwan: Representative Meets U.S. Assistant Secretary Lord [CNA]	86
Taiwan: Foreign Ministry: Taipei 'Does Not Want' U.S. Support [Tokyo KYODO]	86
Taiwan: Spokesman: U.S. Should Not Resolve Chinese Dispute [CNA]	87
Taiwan: PRC Report Cited on Stability; U.S. Causing 'Chaos' [Taipei TV]	87
Taiwan: MOFA Spokesman: Taipei Not To Provoke PRC [Taipei TV]	88
Taiwan: Breakthrough Expected in Arms Talks With U.S. [Taipei TV]	88
Taiwan: Li Teng-hui: Exercises Aim To Frighten People [Taipei TV]	88
Taiwan: Li 'Fully Aware' of Cross-Strait Developments [CNA]	89
Taiwan: Li Teng-hui: Government Sees Through PRC Intentions [Taipei TV]	89
Taiwan: Spokesman, ARATS Unaware of Taiwan's 'Special Envoy' [Taipei TV]	89
Taiwan: Taiwan's Premier Lien Comments on Exercise [Taipei TV]	90
Taiwan: MAC Chairman Comments on PRC Military Drills [CNA]	91
Taiwan: Liu Huaqing: Troops Have 'No Intention of Invading' [Taipei TV]	92
Taiwan: PRC Official Denies Li Peng Sending Letter to Taipei [Taipei TV]	92
Taiwan: Official: Exercises Will Not Cross Territorial Waters [Taipei TV]	92
Taiwan: Defense Ministry: PRC Exercises 10 Miles From Islands [AFP]	93
Taiwan: Defense Ministry on China's 3d Day of Exercises [Taipei TV]	93
Taiwan: Defense Ministry Observes 3d Day of PLA Exercise [CNA]	93
Taiwan: Taipei Denies PRC Plane Defection, Naval Exercises [Taipei TV]	94
Taiwan: Sung Chu-yu: Regions Must Consolidate To Face Threat [CNA]	94
Taiwan: CSC, Navy To Cooperate, Enhance Warship Maintenance [Taipei TV]	94
Taiwan: Repatriation of Criminals Delayed by PRC Exercises [CNA]	95
Taiwan: Economy Said Unaffected by PLA War Exercises [CNA]	95
Taiwan: Beijing's War Games Not To Stop Import of PRC Goods [CNA]	95
Taiwan: Li Teng-hui Calls on People To Elect 'Right Person' [Taipei TV]	96
Taiwan: Li Teng-hui Makes Campaign Speech in Pescadores [Taipei TV]	96
Taiwan: Further on Li's Visit to Pescadores Defense Command [Tokyo KYODO]	97
Taiwan: Li Teng-hui's Remarks in Pescadores Reported [Hong Kong TV]	97
Taiwan: Daily Cites Li Teng-hui 9 Mar Debate Speech [Taipei LIEN-HO PAO 10 Mar]	98
Taiwan: Ministry: No Contact With Beijing at APEC Meeting [CNA]	100
Taiwan: Press Release on Executive Yuan Briefing Lien Chan [Taiwan Government Information Office WWW]	100
Taiwan: Police To Deploy More Vessels To Maintain Security [Taipei TV]	101
Taiwan: ARATS Accuses SEF of Violating 'One China' Principle [Taipei TV]	101
Taiwan: DPP Criticizes Qian, Tells People To 'Blame China' [Taipei CHUNG-KUO SHIH-PAO 13 Mar]	102
Taiwan: DPP Propaganda Chief Chen Wen-chien Profiled [Taipei HEIPAI HSINWEN 4 Dec]	102

HONG KONG & MACAO

Hong Kong

Hong Kong: Officials Hold 7th 'Informal' Meeting 14 Mar [XINHUA]	105
Hong Kong: Officials Hold 8th 'Informal' Meeting 15 Mar [XINHUA]	105
Hong Kong: PRC Has 'De Facto Veto' on Budget Elements [Hong Kong SOUTH CHINA MORNING POST 15 Mar]	105
Hong Kong: Meeting on Budget During Transition Period Ends [XINHUA]	106
Hong Kong: JLG Agrees on Timetable for Transitional Budget [ZHONGGUO XINWEN SHE]	107

General

**PRC: Spokesman: Dispatch of Aircraft Carriers
'Reckless Move'**

HK1503044796 Hong Kong TA KUNG PAO
in Chinese 15 Mar 96 p A2

["Special dispatch" by staff reporter Chiang Chao-yong (5592 0340 0516): "Shen Guofang on Situation in Taiwan Strait and Sino-U.S. Relations"]

[PTS Translated Text for FBIS] Beijing, 14 Mar (TA KUNG PAO)— Foreign Ministry spokesman Shen Guofang has disclosed that a meeting between Qian Qichen, Chinese vice premier and foreign minister, and U.S. Secretary of State Warren Christopher is still under discussion. In the face of some problems and trouble in Sino-U.S. relations, Shen Guofang said at this afternoon's press briefing, the two countries should always maintain contacts, exchange information, understand each other's positions, and resolve them through dialogue.

Shen Guofang pointed out that China is resolutely against the new move by the United States to sell arms to Taiwan, which violates its commitment made in the "17 August" communique.

A reporter asked: Has the effect of manifesting the confidence and ability to safeguard sovereignty and territorial integrity been achieved in the military exercises conducted in the Taiwan Strait? The military exercises have resulted in a drop in Taiwan and Hong Kong stock markets. What responsibility should the Chinese side accept?

Shen Guofang said: The military exercises conducted by the People's Liberation Army are normal and we do not wish to cause harm to the economy of any region. However, Taiwan should be held responsible for the tension in cross-strait relations and the tension in other fields arising therefrom because the root of the problem is the activities of one China, one Taiwan and splitting the motherland carried out by the Taiwan authorities in the international arena.

A reporter asked: An increasing number of people in Taiwan Island have shown sympathy toward independence. The military exercises have resulted in so much trouble, so how are you going to conclude the matter? Shen Guofang replied: The military exercises will continue as scheduled. Military exercises conducted on the high seas conform to international practice. The confusion in the financial market is caused by the reckless move of the United States in dispatching aircraft carriers to the region rather than the military exercises conducted by the Chinese side. When the United States carries out military exercises, no country dispatches any

warship to the area of the exercises. When a reporter requested a comment on the status quo of Sino-U.S. relations, Shen Guofang stated that the U.S. Government's China policy should be stable and not be affected by domestic political influences, such as certain tendencies emerging on the eve of general elections, others in the middle of elections, and yet others after elections. These vacillating tendencies have brought unsteady factors to Sino-U.S. relations.

A reporter asked: Taiwan plans to join the countries friendly toward it in proposing a debate at the United Nations on the situation in the Taiwan Strait. What is your comment on this? Will Christopher and Qian Qichen meet in the near future?

Shen Guofang said: Leaders of the Taiwan authorities have verbally promised that they will not go in for two Chinas. What you have just said offers a good example. It shows that they are still carrying out activities aimed at creating two Chinas. I would like to advise Taiwan leaders that the question of Taiwan is China's internal affair and a matter for the Chinese. We should have confidence in resolving our own problems and not try to rely on foreign forces.

Shen Guofang disclosed that a meeting between Qian Qichen and Christopher is still under discussion.

A reporter asked: A U.S. fleet was accorded a courteous reception during its visit to Shanghai and Qingdao not long ago. Will U.S. warships no longer be welcome to visit China because of their patrolling on the high seas?

Shen Guofang said: We hold that China and the United States should develop normal and steady relations, which include economic, political and military exchanges. Visits by the military are made in light of specific conditions.

A reporter asked: Public opinion polls show that Li Teng-hui is taking a good lead over other candidates. If he wins, will you regard him as an acceptable negotiator or regard him as an enemy and totally negate him?

Shen Guofang replied: The people on Taiwan Island may elect leaders in light of their own will. What concerns us is whether Taiwan leaders have abandoned their activities of creating one China, one Taiwan and splitting China. Whatever the results of the elections, Taiwan is still part of China and Taiwan leaders are China's local leaders.

A reporter asked: When the missile-launching test ends tomorrow, will the security warning be called off?

Shen said: The announcement is very clear and so is the deadline.

A reporter asked: The procedures for the United States to sell F-16 jets to Taiwan have been completed today; what is your comment on the matter?

Shen Guofang stated: One of the reasons for the tense cross-strait relations is the large-scale proliferation of sophisticated U.S. weapons going to Taiwan. The U.S. Government has always been against arms proliferation in its own area. The 17 August Sino-U.S. communique stipulates that the United States should continuously reduce arms sales to Taiwan until there is a total suspension. Hence we are resolutely against U.S. arms sales to Taiwan, which constitute a violation of the 17 August communique.

A reporter asked Shen to comment on the "State Department Authorization, Reorganization, and Foreign Aid Act" adopted by the U.S. House of Representatives. Shen said: "We express our resolute opposition to and strong indignation at the adoption of the 'State Department Authorization, Reorganization, and Foreign Aid Act' by the U.S. House of Representatives despite the repeated representations and strong opposition from the Chinese side. The act contains many articles which gravely encroach upon Chinese sovereignty and interfere in China's internal affairs. We have noted that the U.S. Government has stated on numerous occasions that it is against the anti-China clauses in the act. We urge the U.S. Government to proceed from the overall situation of Sino-U.S. relations, take practical action to honor its commitment, promptly take effective measures to prevent the Congress from adopting the act, which contains many anti-China clauses, and prevent it from further damaging Sino-U.S. relations."

PRC: Spokesman Voices 'Strong Indignation' With U.S. Bill

OW1403132096 Beijing XINHUA in English
1243 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — China urges the U.S. government to prevent the Congress from adopting a bill containing many anti-China clauses, said Chinese Foreign Ministry Spokesman Shen Guofang here today.

Shen made the statement at a press conference this afternoon when asked to comment on a unified version of the State Department Authorization, Reform and Foreign Assistance Bill adopted by the U.S. House of Representatives.

The U.S. House of Representatives has, in disregard of repeated, solemn representations and strong opposition of the Chinese side, adopted the State Department Authorization, Reform and Foreign Assistance Bill which contains many clauses that grossly encroach upon

China's sovereignty and interfering in China's internal affairs, Shen said.

"We hereby express our firm opposition and strong indignation at it", Shen added.

"We have noted that the U.S. government has stated many times its objection to those anti-China clauses in this bill", Shen said.

"We urge that the U.S. administration proceed from the interests of the overall Sino-U.S. relationship and translate its promises into concrete actions by taking prompt and effective steps to prevent the U.S. Congress from adopting this bill containing many anti-China clauses, so as to forestall further serious damage to the Sino-U.S. relations", the spokesman said.

PRC: Spokesman: U.S. Should Maintain 'Stable Policy' With PRC

OW1403132896 Beijing XINHUA in English
1243 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — China calls on the U.S. to maintain a stable policy towards China, which should not be affected by the situation of its domestic politics, said a Chinese Foreign Ministry spokesman here this afternoon.

Shen Guofang, the spokesman, made the remarks at a press conference when asked to comment on the current situation of Sino-U.S. ties.

He noted that the U.S. policy towards China has always been influenced by its domestic politics. For example, the policy would appear to be in different tendencies at a time before, in the middle of or after the U.S. presidential election, Shen added.

He pointed out that such a swaying policy towards China would do nothing but bring about unstable factors to Sino-U.S. relations.

Asked about the possibility of a meeting between Chinese and U.S. Foreign Ministers, the spokesman said "it is under consideration".

PRC: Spokesman Says Qian, Christopher Meeting Possible

OW1403172496 Beijing ZHONGGUO XINWEN SHE in English 0550 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (CNS) — At the routine press conference this afternoon, China's Foreign Affairs Ministry Spokesman, Shen Guofang, said China had always held the China and America should keep their contact and exchange information to better understand the stance of each other so as to solve

the existing problems and troubles in Sino-American relation.

He disclosed that the meeting between Qian Qichen, Vice Premier of the State Council and Foreign Minister and Warren Christopher, the U.S. Secretary of State, was under consideration.

In answer to a question on China's comment concerning the US's action to sell a batch of F16 fighter planes to Taiwan, Shen said that one of the main reasons for the cross-strait tension was that the U.S. government had supplied a lot of advanced weapons to Taiwan, including F16 fighter planes. In the "August 17" Communiqué signed by China and the U.S. in 1982, the U.S. had seriously committed to gradually reducing and finally ceasing the sales of weapons to Taiwan. The action of the U.S. to sell weapons to Taiwan violated its commitment kept in the Communiqué, China, therefore, firmly opposes this action.

The tense relations between China and Taiwan was completely caused by Taiwan authorities' attempt to create "two Chinas" and "one China, one Taiwan" in international community. Taiwan should bear the whole responsibility, stated Shen.

For the present confusion in the financial market in Hong Kong and Taiwan, Mr. Shen argued that the PLA's military manoeuvre in the high sea was normal and accorded with international practices. Such confusion was not a result of the military manoeuvre but of the "rashly" deployment of aircraft carriers in the region by the U.S. government.

He further appealed to the U.S. government to maintain stable policy towards China. Its policy towards China should not swing due to its internal political reasons as this will be unfavourable for Sino-U.S. relations.

Shen finally said China firmly opposes a bill recently passed by the House of Representatives of America which contained a number of articles that China considered as a serious infringement to China's sovereignty and an interference in China's internal affairs. China noticed that the U.S. government had expressed at several occasions that it disagreed with such anti-China articles carried in the bill. China demanded the U.S. government to take actual action to keep its promise and to prevent the passing of the bill by the Congress so as to avoid further damages to Sino-U.S. relations.

PRC: Spokesman: Luo Gan To Visit Latin American 21 Mar-5 Apr

*OW1403144296 Beijing XINHUA in English
1242 GMT 14 Mar 96*

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — At the invitations of the governments of Venezuela, Ecuador, Peru and Brazil, Chinese State Councillor and Secretary-General of the State Council Luo Gan will pay an official visit to the above-mentioned four countries from March 21 to April 5.

This was announced here today by Chinese Foreign Ministry Spokesman Shen Guofang.

PRC: XINHUA Branch Views U.S. Carriers, UK Minister's Remarks

*HK1503075796 Hong Kong TA KUNG PAO
in Chinese 15 Mar 96 p A2*

[Report: "XINHUA Hong Kong Branch Comments on United States Sending Its Aircraft Carriers"]

[PTS Translated Text for FBIS] Regarding a report on remarks by Jeremy Hanley, British minister of state for Hong Kong and the Middle East, on backing the U.S. "surveillance moves" and considering an offer of support, a XINHUA Hong Kong branch spokesman said that countries and statesmen who are truly concerned about Taiwan affairs should support the policy of "peaceful reunification" and "one country, two systems" proposed by the Chinese Government, and not engage in any activities harmful to peaceful reunification between the mainland and Taiwan.

The current military exercises conducted by the Chinese People's Liberation Army are normal and they are aimed at manifesting the determination and ability of the Chinese Army in maintaining national unification and territorial integrity, which have nothing to do with other countries.

The dispatching of aircraft carriers by the United States to the waters near the Taiwan Strait and the so-called "surveillance moves" themselves will easily make the Taiwan authorities believe that the United States is inciting and supporting their activities to split the motherland. The Chinese Foreign Ministry spokesman has stated this point clearly.

Hence, it is unwise for other countries to try to get involved in the matter.

PRC: Human Rights Used as 'Weapon Against Developing Countries'

HK1503065596 Beijing CHINA DAILY in English
14 Mar 96 p 4

[By Chen Yali: "China Respects Human Rights"]

[PTS Transcribed Text for FBIS] The world should be alerted to the fact that a few powers are using human rights issues as a weapon against developing countries, Chinese experts warn.

Different countries have different approaches to human rights because of their historical backgrounds, cultural traditions and development levels. None can claim to be a perfect model.

Every nation inevitably faces human rights problems.

"China is no exception. Restrained by its historical background and the level of development, China's human rights still need to be improved," says Professor Gu Chunde of the People's University of China.

Fortunately, the Chinese Government, showing respect for human rights, has been taking effective legal, administrative and economic measures to improve human rights.

The concepts of human rights are multifarious and include basic rights to survival and subsistence, political and civic rights and the right to work and to be educated.

The right to survival and subsistence has been put first by China because of the realization that other concepts of human rights have to rely on the right to survival, says Professor Feng Zhuoran of the Capital Normal University.

"It is either ignorant or deliberately misleading to talk about human rights without mentioning the right to survival," says Feng. He points out that, for China, the realization of the right to survival has two significant conditions: safeguarding sovereignty and strengthening socialist economic construction.

"The only way for weak, small and developing countries to defend their human rights is to rely on their sovereign rights," agrees Zhu Muzhi, President of the China Society for the Study of Human Rights (CSSHR).

Invasion and free plundering by imperialist countries robbed China of sovereignty and trampled on Chinese people's right to survival.

We have to be alert to attempts to dissect the nation and infringe sovereignty, Feng adds.

The fundamental way to promote continuously the right to survival and other rights is to develop the economy and to enable people to enjoy equal economic rights.

It is unfair and unacceptable not to solve the problem of the 70 per cent of the planet's population who are struggling against poverty.

Common prosperity is the basic concept of China's human rights. It means not only eliminating poverty but also eliminating exploitation and economic gaps and realizing the right to survival of the whole people, according to Feng.

To achieve common prosperity, China has made painstaking efforts to develop its economy and has made impressive achievements in improving human rights.

But some Western governments are not happy to see a China that enjoys political stability and sticks to the socialist course.

The United States and other Western countries face more serious violations of the basic human rights of African Americans, American Indians and women, plus employment and social problems including violent crimes and drugs.

These countries turn a blind eye to their own problems while attacking China for its "poor human rights record." By doing so, they are trying to change China's political and social system which is the Chinese people's own choice.

Some Western nations focus only on the "human rights" of a number of "political dissidents" while ignoring the right to subsistence of the majority of the people.

"This biased and distorted concept of human rights is not a promotion of human rights but a retrogression to an outdated idea: might is right," Fan Guoxiang, a human rights expert explains.

In essence, "human rights" serve the national interests of the US and its Western allies.

The issue of human rights improvement must rely on the country concerned and its people and must never be manipulated by foreign powers, says Professor Liu Nanlai, an international law expert.

China is an independent country and has the right to select its own way of developing the economy and promoting human rights.

Neither should the issue be politicized or ideologically determined. Still less should it be regarded as a weapon for imposing political pressure on other nations.

All countries should conduct dialogue on human rights issues on an equal basis.

"People all over the world are striving to improve human rights, but those who pursue power politics and

hegemony in the guise of promoting human rights are doomed to failure," says Fan.

United States & Canada

PRC: 'Well-Placed Source' on Consequence of U.S. Interference

OW1403125396 Tokyo KYODO in English
1247 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 KYODO —
- A Chinese military source in Beijing warned Thursday that if U.S. naval vessels presently monitoring Chinese military exercises in the Taiwan Strait enter Chinese territorial waters, China would have no option but to attack.

The U.S. aircraft carrier Independence and its battle group have been monitoring Chinese missile tests and live-ammunition exercises in the Taiwan Strait and are expected to be joined by the aircraft carrier Nimitz and its battle group before Taiwan's first-ever direct presidential elections on March 27.

The well-placed source, who asked not to be named, said that if U.S. naval vessels enter Chinese territorial waters, China would likely view such an intrusion as a foreign interference in the Taiwan issue and proceed with an attack.

China has maintained that if Taiwan declares independence or if foreign forces invade Taiwan, Beijing would use force to retake the island.

Following the likely reelection of Taiwan President Li Teng-hui — who Beijing says is the main mover behind what it claims is a Taiwan independence movement — Beijing could begin holding regular military exercises in the region, depending on Li's behavior, he said.

The ongoing military exercises, he said, are aimed at emphasizing to the rest of the world the principle that Taiwan is an inalienable part of Chinese territory, and also at both the United States, which allowed Li to visit the U.S. last June, and Japan.

The adverse effects of the military exercises on China's economic development is small when compared to the importance of safeguarding national sovereignty, he said.

He denied that China's policy toward Taiwan is a result of hawkish elements in the military, and said it is derived from the decisions of China's civilian leaders, who are concerned about splittist movements in Tibet and Xinjiang and are eager to show China's resolve in protecting its territorial integrity.

The Chinese Army officer compared the alarm with which Chinese leaders view U.S. naval ship movements

near Taiwan to that in Japan some years ago when a submarine of the former Soviet Union was discovered in waters of the Tsugaru Strait.

PRC: Article Views U.S. Taiwan Policy

HK1503081596 Beijing LIAOWANG in Chinese
4 Mar 96 No 10, p 42

[Article from "International Commentary" column by Yan Xuetong (7051 1331 6639): "U.S. Policy Toward Taiwan and Tension in Taiwan Strait"]

[PTS Translated Text for FBIS] It is known to the people the world over that since entering the 1990s, U.S. policy toward the Taiwan Straits has changed a great deal.

On 22 May 1995, the United States granted an entry visa to Taiwan's highest leader permitting him to visit, thereby ushering in a new stage in U.S. policy toward Taiwan. As a result, the United States has turned a policy of preventing a possible crisis in the Taiwan Strait from adversely affecting the Sino-U.S. relations into a policy of maintaining tension in the Taiwan Strait to contain China. All of a sudden, a possible military conflict in the Taiwan Strait has become the focus of the world attention.

On 17 August 1982, China and the United States issued a joint communique in which the United States undertook to maintain the quality and quantity of arms sales to Taiwan at a level similar to that of the years following establishment of Sino-U.S. diplomatic relations, gradually cut down on arms sales to Taiwan, and eventually resolve the question of arms sales to Taiwan after a period of time. Before 1992, the United States had basically honored this commitment with the result that the Taiwan Strait had enjoyed decade-long stability. However, in 1992 the United States started selling F-16 fighter planes to Taiwan and readjusting its post-Cold War policy toward Taiwan, thus throwing the peace and stability of the Taiwan Strait into jeopardy.

It is true that the Taiwan authorities' policy of splitting the motherland is the root cause of tension in the Taiwan Strait. Nevertheless, Taiwan is after all a small island with a population of 21 million. It is external forces that have exerted a great impact on the Taiwan Strait, either in averting or in escalating a crisis. For instance, it was the U.S. policy toward Taiwan that determined whether Taiwan's leader would be allowed to visit the United States. Had the United States not granted an entry visa to Taiwan's leader, tension in the Taiwan Strait would not have escalated so quickly.

Politically, the United States has sought to expand unofficial relations with Taiwan, thereby inflating the

hopes of Taiwan's pro-independence forces. In December 1992, U.S. Trade Representative Hills paid a visit to Taiwan, thereby lifting a 14-year ban on U.S. cabinet officials visiting the island. In September 1994, the United States shifted its policy toward Taiwan by allowing U.S. cabinet officials to meet with their Taiwan counterparts in all government offices except the White House and the State Department and allowing Taiwan's "Coordination Council for North American Affairs" in the United States to be upgraded as "Taipei Economic and Cultural Representative Office in the United States." In 1995, the United States finally granted an entry visa to Taiwan's highest leader. By boosting the official nature of U.S.-Taiwan relations, the United States has in effect encouraged the Taiwan authorities to legalize the island's separatist activities, adopt a dual-recognition policy toward other countries, and create conditions for Taiwan's independence. The rapid expansion of Taiwan's pro-independence forces has enhanced a possible crisis in the Taiwan Strait.

Militarily, the United States has increased arms sales to Taiwan to help enhance Taiwan's military strength. By so doing, it has emboldened Taiwan's pro-independence elements to run the risk of seeking independence for Taiwan. Since 1992, the United States has sold Taiwan ship-based missiles, ship-based artillery, anti-submarine systems, anti-submarine equipment, cruise missile defense equipment, anti-missile defense systems, minesweepers, fighter planes, early warning planes, assault helicopters, electronic equipment for fighter planes, and tanks, and it has rented cruisers and tank-carrying landing craft to Taiwan. U.S. arms sales to Taiwan have made the Taiwan authorities believe that the United States will participate in [can yu 0639 5280] a possible military conflict in the Taiwan Strait and that with U.S. military support, Taiwan will acquire sufficient military strength to resist the mainland's military forces dispatched to safeguard reunification. As a result, the Taiwan authorities have underestimated the possible military crisis resulting from Taiwan's pro-independence activities. Recently, Taiwan's military has time and again stated: "Taiwan has sufficient military strength to defend Taiwan's security." Moreover, Taiwan's military has held exercises to challenge the mainland's military strength. U.S. arms sales to Taiwan have also stimulated foreign contention for Taiwan's arms market and given rise to the threat of a potential regional arms race.

Diplomatically, the U.S. support for Taiwan's policy of "enlarging its international space" and Taiwan's accession to various international organizations has spurred the Taiwan authorities' "two Chinas" and "one China, one Taiwan" activities. In 1994, the United States an-

nounced its decision to "support Taiwan's accession to GATT and seek more opportunities to have Taiwan's voice heard in several international organizations." The United States also decided to help Taiwan seek earlier accession to the WTO, World Bank, IMF, International Economic Cooperation Organization, and other international economic organizations to enable Taiwan to return to the world arena. U.S. diplomatic support has encouraged the Taiwan authorities to conduct money diplomacy and refuse to hold any forms of talks with the mainland on the question of reunification, thus escalating tension in the Taiwan Strait with each passing day.

Why has the U.S. policy toward Taiwan changed so much? The key lies in whether or not tension in the Taiwan Strait is beneficial to the United States in the post-Cold War period. Of course, such regional tension is harmful to the Chinese on both shores of the Taiwan Strait. However, it is certainly not so harmful to the United States. It is true that the United States does not want to see itself involved in a military conflict caused by such regional tension. However, the United States will undoubtedly benefit a great deal if the crisis in the Taiwan Strait remains at a certain level.

The United States has been seeking to maintain the crisis in the Taiwan Strait at a certain level so as to satisfy a multitude of political needs in the post-Cold War period. After the Cold War, the United States was concerned that China would one day rise and turn into a global power capable of competing with it. By maintaining the crisis in the Taiwan Strait at a certain level, the United States will be able to prolong China's reunification process and slow China's rise, thereby winning more time for Taiwan's peaceful independence. To continually play a predominant role in East Asia, the United States must maintain a military presence in the region. However, after the Cold War ended, the East Asian countries became less enthusiastic in supporting the U.S. military presence in the region. The Philippines has recovered the U.S. military base at Subic Bay. The local government of Okinawa, Japan, has demanded that U.S. military bases in Okinawa be phased out. In view of this, maintaining the crisis in the Taiwan Strait at a certain level will enable the United States to create a favorable international environment for the U.S. military presence in East Asia. The world arms market has been shrinking since the end of the Cold War, and this has adversely affected the U.S. defense industry and increased the U.S. unemployment rate. By maintaining the crisis in the Taiwan Strait at a certain level, the United States will be able to export more arms to East Asia. Over the past five years, the United States

alone has sold more than \$7.5 billion worth of arms to Taiwan.

How the United States will handle the situation in the Taiwan Strait in the days ahead will certainly be determined by the U.S. policy toward Taiwan, namely, intervening [jie ru 0094 0354] in or not intervening on the Taiwan question. The above analysis has shown that the United States is highly likely to adopt a policy of intervention on the Taiwan question. Nevertheless, the likelihood of this is limited [you xian di 2589 7098 4104]. This is because the United States is not necessarily willing to cross swords with China on the question of Taiwan's independence. However, if the United States continues to follow a policy of limited intervention [you xian jie ru] on the Taiwan question, tension in the Taiwan Strait will certainly escalate into a crisis. Those who play with fire are bound to have their fingers burned. The United States and Taiwan's overt and covert pro-independence elements should understand that China will never give in on such major issues as reunification of the motherland and territorial integrity.

PRC: 'No Reason' Seen for Direct U.S. Intervention

HK1503095096 Hong Kong WEN WEI PO in Chinese
14 Mar 96 p A2

["Special article" by Li Hsiang-wen (2621 0686 2429), WEN WEI PO U.S.-based special correspondent: "United States Should Warn Li Teng-hui"]

[PTS Translated Text for FBIS] Owing to Li Teng-hui's brazen Taiwan independence behavior, the Chinese People's Liberation Army [PLA] has recently conducted missile firing exercises and large-scale sea and air live-fire exercises on the Taiwan Strait. They are not only the toughest military actions China has taken in the region since the 1960's but they are conducted at a time of strained Sino-U.S. relations. For this reason, they have attracted the particular attention of the U.S. Government and news media.

There Is No Reason for Direct U.S. Intervention

As analyzed by the media here, the large-scale military actions taken by China have two major purposes: First, warning Li Teng-hui and his ilk against going too far on the issue of expanding Taiwan's so-called international space; second, influencing the results of the 23 March Taiwan elections and enabling the voters to clearly see the situation and choose other candidates than Li Teng-hui who can bring stability and peace to Taiwan. Even if Li Teng-hui should be elected, the missile tests and military exercises may long serve as a warning to Li, as well as other Taiwan independence elements, and make

him remember all the time that Taiwan independence is a blind alley.

Some newspaper reports have quoted a U.S. government official as saying that China's missile tests are neither an act of war nor a terrorist act and that as long as these missiles fall on the target areas and as long as the Chinese mainland troops taking part in the exercises do not attack Taiwan's islands, the United States can hardly find a legal ground on which to directly responded to these actions. In their view, these missile tests and military exercises are neither a sea blockade against Taiwan nor do they disrupt [po huai 4275 0975] Taiwan's economy and trade, but they chiefly act as a political deterrent to Taiwan: warning Taiwan that it should know its place [an fen shou ji 1344 0433 1343 1569] on the issue of expanding international space in the future and not "challenge the impossible."

Naturally the Chinese military actions may evoke U.S. retaliation against China, including possible calls from pro-Taiwan Republican congressmen to abolish China's most-favored-nation [MFN] status. China's MFN status is the basis of Sino-U.S. relations. If MFN status is abolished, it will exacerbate the current strained Sino-U.S. relations and the consequences will be extremely serious [ji qi yan zhong di 2817 0366 0917 6850 4104]. The Clinton administration is aware of the seriousness of this issue and therefore has no intention to abolish China's MFN status, nor does it want to adopt a policy of isolating China on the ground that, first, China is so big that it cannot be easily isolated, second, China's role in the world is too important, and third, the present international situation is not what it was during the Cold War period, making it impossible for the United States to isolate China.

American Expert Says China Has Made Careful Consideration

China is a responsible, peace-loving country. It does not like war. In the view of Lieberthal, a noted Sinologist at the University of Michigan, China has taken military actions after careful consideration, and the Chinese military has generated the greatest sense of pressure, seizing Taiwan with panic. But China's behavior has not exceeded the limits to which a sovereign state should go. China has not imposed a sea blockade on Taiwan nor has it attacked any Taiwan ships. China has warmed up the atmosphere on the Taiwan Strait without violating international law. These acts hint that China is playing an extremely tough game [fei chang qiang ying di you xi 7236 1603 1730 4289 4104 3266 2070].

Liu Huaqiu, director of the State Council's Office of Foreign Affairs, is currently paying an internal visit [nei

bu fang wen 0355 6752 6078 0795] in Washington. U.S. Secretary of State Christopher and Presidential National Security Advisor Lake met with Liu for a long time, during which both parties exchanged views on matters of mutual concern. What merits attention is that Liu held talks with senior U.S. Government officials at a time when China was conducting missile firing exercises and military exercises on the Taiwan Strait. This clearly shows China's solemn and just stand of never making concessions on the Taiwan sovereignty issue and shows that China will not tolerate interference in China's internal affairs by foreign forces.

The principal responsibility for the tension in the Taiwan Strait lies with Li Teng-hui, and of course the United States should also be held partly responsible. If the United States had not allowed Li to visit the United States last year, there would not be the tense, complex tripartite relationship that exists today. The Americans still have not acknowledged their responsibility and, therefore, what Liu Huaqiu and senior U.S. government officials did at the meeting was each airing his own views [ge suo ge de 0677 6141 0677 4104]. The U.S. side complained about China's military exercises, human rights, trade deficits, intellectual property rights protection, missile technology proliferation, and other issues. The Chinese side, however, called on the United States not to interfere in China's internal affairs and not to sell advanced weapons to Taiwan, and it was more opposed to future U.S. moves to further upgrade U.S.-Taiwan relations.

United States Should Not Force China To Do Something Desperate

Viewed from a Chinese angle, the military exercises being conducted today are aimed at preventing the result of Taiwan moving toward independence tomorrow and the tragedy in which the Chinese people on both sides of the strait resort to arms on account of a territorial split. In this sense, the United States has the responsibility to warn Li Teng-hui against continuously saying or doing something to irritate the Chinese mainland and continuously being headstrong and doing as he pleases. The United States should understand that the more it supports Li Teng-hui, the more he thinks he can hold on to the United States, secure in the knowledge that he has strong backing. Consequently, it is likely to force China to really use force against Taiwan.

Given the strained atmosphere on the Taiwan Strait, the United States has dispatched aircraft carriers and a naval task force to cruise the Taiwan Strait, nominally for the sake of preventing a military conflict in the Taiwan Strait, but this actually sends a signal of support to Li Teng-hui and the Taiwan independence elements.

But have the U.S. politicians made preparations for a showdown with the 1.2 billion Chinese people in terms of global strategy? Do they really want to see a war break out in East Asia? Do they really want something like the situation in the early 1950's in which China and other countries joined hands to resist the United States? Do the American people really plan to let their children shed their blood for the sake of the dream of a handful of Taiwan independence elements to "found a country"?

Southeast Asia & Pacific

PRC: Vice Foreign Minister Visits With Philippines' Ramos

OW1403204396 Beijing XINHUA in English
1601 GMT 14 Mar 96

[FBIS Transcribed Text] Manila, March 14 (XINHUA) — President Fidel Ramos reiterated today that the Philippine government will continue to pursue a one China policy.

He made the remarks during a meeting with visiting Chinese Vice Foreign Minister Tang Jiaxuan, who arrived here Wednesday [13 March] to attend consultations between China and the Philippines.

Ramos expressed the hope that the two countries will continue interact with each other at various levels.

He said that close cooperation between the Philippines and China is not only beneficial to the two countries and two peoples, but also to peace and stability in the region.

Tang is scheduled to leave here for Brunei on Saturday.

PRC: Bilateral Agreements Reached With Philippines

OW1503112896 Beijing XINHUA in English
1110 GMT 15 Mar 96

[FBIS Transcribed Text] Manila, March 15 (XINHUA) — China and the Philippines have reached agreements on relations between the two countries, the South China Sea issue and international and regional issues of mutual interest.

The agreements were announced in a joint communique issued at the end of the three-day consultations concluded here today between Chinese Vice Foreign Minister Tang Jiaxuan and Philippine Undersecretary of Foreign Affairs Rodolfo C. Severino, Jr.

The joint communique said that the two sides, "in a cordial and frank atmosphere, had a wide-ranging exchange of views and reached important agreements

on bilateral relations, the South China Sea issue, and international and regional issues of mutual interest."

The two countries have agreed to further strengthen their cooperation in various fields in accordance with their fundamental interests and common aspirations in the spirit of good-neighborliness, equality and mutual respect, the communique said.

The two sides reviewed the progress made in their relations since the last consultations were held, and concluded that it has been satisfactory, it said.

"They expressed their intention to actively promote the exchange of high level visits between the two countries and friendly exchanges between the two peoples in a broad range of areas," the communique said.

On the South China Sea issue, it said the two sides also exchanged views on this matter in a frank and constructive manner.

The communique said that the two sides reaffirmed the August 1995 Sino-Philippine Joint Statement on the South China Sea and other forms of cooperation.

They agreed to exert efforts to avoid maritime conflicts and also agreed to exchange visits among military and defense officials, it added.

Near East & South Asia

PRC: Delhi Reports on Defense Meeting in Beijing

*BK1303163596 Delhi All India Radio Network
in English 1530 GMT 13 Mar 96*

[FBIS Transcribed Text] India and China have stressed the need to further strengthen cooperation and exchange of visits between the armed forces of the two countries. This emerged during the discussions between the visiting Indian chief of the naval staff, Admiral V.S. Shekhawat, and the Chinese defense minister, General Chi Haotian, in Beijing today. Sharing General Chi's views, Admiral Shekhawat emphasized the need for developing bilateral cooperation in political, economic, and cultural fields.

PRC: 'Exclusive Interview' With Palestinian Envoy

*OW1403203596 Beijing XINHUA in English
1709 GMT 14 Mar 96*

[By Gong Zhenxi and Wang Yadong]

[FBIS Transcribed Text] Peking, March 14 (XINHUA) — The Palestinian Ambassador in Peking [Beijing] said today that the amendment of the Palestinian National Charter depends on the extent of Israel's commitment to the agreements signed between Israel and the Palestine Liberation Organization (PLO).

In an exclusive interview today with XINHUA, Palestinian Ambassador Mustafa al-Safarini also said Israel was still expanding its settlements, constructing ring roads around Palestinian towns and villages, pursuing the policy of collective punishment, sealing off the West Bank and Gaza Strip, and delaying the commencement of the final stage of negotiations.

He added that all such acts constitute hurdles that obstruct the Palestinian-Israeli peace process, hindering any action on the part of the Palestinian National Council to amend the Palestinian National Charter.

Al-Safarini called upon Israel to honor its pledges and commit itself to the Palestinian-Israeli agreements, as the Israeli people are now at the threshold of general elections while the Palestinian people are at the door steps of the final phase of negotiations.

Replying to a question as to whether the Palestinian National Council will approve the amendment of that article in the National Charter which stipulates the destruction of Israel, or draw up a new charter altogether, the Palestinian ambassador said that "to amend the Charter or not to amend it, means the drawing up of a new constitution that may be the focus of attention."

"But the amendment of the present constitution will have to depend on the extent of rectification measures to be undertaken by Israel during the period that precedes the convocation of the Palestinian National Council," Mustafa added.

He noted that it would be difficult for the Palestinian National Council to agree on the amendment of the Charter so long as Israel adheres to its procrastination and to the currently pursued policies.

The Palestinian ambassador went on to say that PLO Executive Committee had, at a recent meeting, taken a decision that called for the convening of the Palestinian National Council by the beginning of May, indicating that a number of the council members were already on their way to Palestine.

PRC: Further on Palestinian Envoy's 'Exclusive Interview'

*OW1403204296 Beijing XINHUA in English
1728 GMT 14 Mar 96*

[By Wang Yadong and Gong Zhenxi]

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — Palestinian ambassador to China Mustafa al-Safarini called upon today the Palestinian and Israeli sides to take "necessary measures" to end the acts of terrorism.

In an exclusive interview with XINHUA reporters today, the ambassador described the international Peace-makers Summit ended Wednesday [13 March] in the Egyptian Red Sea resort town of Sharm al-Shaykh as an important conference of pushing the peace process back on track.

He said that "the conference would certainly not stop at mere denunciation and condemnation of terrorism, but would have to go deep into the causes that motivate such acts of terrorism."

He pointed out that "Palestinians cannot always be the victim of terrorist actions and their consequences. We can also call the violence and massacres committed by Israeli extremists in Aqsa Mosque in Jerusalem and in Ibrahimi Mosque in Hebron terrorist actions."

Al-Safarini noted that "the acts of terror cannot be stopped by the policies pursued by the Israeli government, such as collective punishments, closure of the borders and economic siege."

The ambassador added that Israel's such provocative policy could only make the Palestinian National Authority appear in the eyes of its people to be incapable of providing them with security and means of livelihood.

"Thus, the goal of the eradication of terrorism cannot be achieved at a time when all the Palestinian people are suffering under siege and closure," said al-Safarini.

However, the ambassador asserted that the Palestinian National Authority has been taking measures, including the suspension of the activities of paramilitary organizations, to restrict terrorist operations.

The Palestinian police force have detained many people. "Thus, I may say that the Palestinian side has taken measures beyond its capabilities," he said.

He emphasized that agreements reached between Israel and the Palestinians should be fully implemented in order to maintain the momentum of the peace process.

The timetable agreed, particularly, on the implementation of the scheduled withdrawal of Israeli forces from Hebron by the end of this month and the final phase of negotiations by the beginning of May, has to be respected, the Palestinian ambassador said.

PRC: 'Roundup' Views Israel's Antiterrorism Campaign

OW1503114196 Beijing XINHUA in English
1048 GMT 15 Mar 96

["Roundup" by Huai Chengbo: "Anti-Terror Campaign Turns Out Double-Edged Sword"]

[FBIS Transcribed Text] Jerusalem, March 15 (XINHUA) — In a sweeping drive to crack down on the fundamentalist groups unfolded following a wave of terrorist bombings, Israel has effectively improved its security situation. But, on the other hand, the campaign has also, unfortunately, caused severe hardships and sufferings to the broad masses of the innocent Palestinian people in different ways.

Severe Restrictions on Movement:

On March 5, 1996, the Israeli authorities declared each of the eight main towns and 465 villages and refugee camps in the West Bank "closed military areas." Residents of these locations are prohibited from leaving their places of residence on foot or by vehicle. Israeli checkpoints have been placed at the entrances to these towns, villages and camps to prevent entry or exit. About 70 percent of Palestinians in the West Bank live in rural areas and are highly dependent on access to the major towns. Additionally, under the closure of the West Bank and Gaza Strip, Palestinians are strictly barred from entering Israel and East Jerusalem.

Obstruction of Access To Medical Treatment:

Access to Palestinian hospitals which are located in the main towns of the West Bank is severely obstructed. Clinics in villages and refugee camps are paralyzed because many of their staff cannot reach them. Hospitalization in East Jerusalem, where many of the principal hospitals are located, is virtually impossible. According to Munthir Al-Sharif, Deputy Health Minister of the Palestinian National Authority (PNA), 245 clinics stopped providing medical services to citizens due to the siege. "Thus, the ministry halted the polio vaccination program of the World Health Organization, since the ministry is incapable of bringing the vaccine from Israeli medical providers. This will deprive 1.1 million children from being vaccinated," he said.

Obstruction of Access to Educational Institutions:

The main universities in the West Bank have been severely affected as many students and staff have not been able to reach the campuses. The PNA Education Ministry affirmed that the Israeli measures imposed against the Palestinian people led to depriving 71,000 students from gaining their right to education. The ministry's Director General, Walid Zagha, said that

about 50 percent of the teachers were not able to reach their schools due to the military checkpoints placed on the entrance of every city and village. The ministry's emergency regulations called on the teachers to head to the closest accessible school of their residence to substitute for the absence of other teachers, although this goal was not possible to achieve due to technical matters such as lack of scientific specialty or the necessary level of educational skills. In addition to the fact that many schools are located just outside the town borders.

Shortage of Basic Food Stocks, Medication and Fuel:

The Gaza Strip is suffering from a serious shortage of flour and sugar. The West Bank is no better and In Jenin, for example, about 90 percent shops are closed because of their owners cannot enter the town. On March 9, a food shipment from Dura Village, Hebron, was refused entry into Al-Fawwar Refugee Camp.

Deprivation of the Right to Work:

Many residents of the villages and refugee camps are unable to reach their places of work located in the main towns or in other villages. A large number of these workers are dependent on day-wage labor. Additionally, about 55,000 Palestinian workers cannot reach their places of work in Israel. Families of these workers are deprived from a source of income, which in many cases is the sole family income. As long as these restrictions on movement continue, Hassan Sharakeh said, the percentage of unemployment, now at 78 percent, in the Palestinian street will lead to a real starvation and further to an explosion. The newly-elected Speaker of the Palestinian Council, Ahmed Qrei' said that the "daily losses due to the closure of territories is twice more than the aid we receive from international donors; our situation is extremely bad." According to economist Samir Abdullah, Palestinian economic activity has decreased by 60 percent since the Israelis imposed these measures. "Everything seems almost paralyzed; the economy cannot accommodate this situation for two more weeks," Abdullah said. "What is happening does not lead to lessening the support for Hamas and the violent groups, but on the contrary."

Curfews:

The Israeli authorities have maintained a curfew on Al-Fawwar Refugee Camp, the home of two persons who carried out bombing attacks, since March 4. Altogether 6,000 residents have suffered from the curfew. The area around Al-Ibrahimi Mosque, in the heart of Hebron city, was placed under curfew on March 3-6. On the evening of March 10, curfews were imposed on Husan Village, Bethlehem, and the center of Hebron city, and they still

remain in force. In Hebron, Israeli soldiers demanded, through loud speakers, that citizens aged between 16 and 45, gather in the play field of Al-Ghazali Elementary School while they raided several houses and arrested a number of young men.

Raid and Closure of Institutions:

At least seven educational and research institutions have been closed by order of the Israeli authorities, including the University of Hebron (2,000 students), the Polytechnic of Hebron (900 students), the Islamic welfare Association, and the College of Technology and Science in Abu Dees, near Jerusalem. It seemed that Unnecessary and excessive use of force was resorted to during raids on institutions, resulting in extensive destruction of property. The Hebron offices of the Palestine Section of Defense of Children International were raided in the early hours of March 11, resulting in bad damage to the office, as well as destruction of papers and documents.

Sealing and Demolition of Houses:

One house in the village of Burqa, Nablus, belonging to the family of a person responsible for a suicide bombing was demolished on March 8. Five surrounding homes were severely damaged, rendering them unfit for habitation. Eight other homes have been sealed in various areas, including Rafat in Nablus; Dahriyya in Hebron; and Beit Hanina in Jerusalem. Israel has issued demolition orders in relation to seven of these houses, and execution of these orders began yesterday with the blowing up of Yihya Ayyash's home in Rafat yesterday.

Mass Arrests:

Up to now, according to Israeli press reports, more than 300 suspects of Hamas or Islamic Jihad have been arrested in "Area B" and "Area C" in the West Bank. Families of persons linked to bombings have been arbitrarily detained. In the case of the Jabari family in Hebron, an 8-year-old girl and a person with a physical disability were detained as well. No specific charges have been brought against many of those arrested. According to the version of The Palestinian Prisoners Society, about 1,000 Palestinians have been arrested by the Israeli military authorities during the past two weeks from "Area B" and "Area C".

West Europe**PRC: France Reportedly Against Geneva Human Rights Motion**

HK1503101996 Hong Kong SOUTH CHINA MORNING POST in English 15 Mar 96 p 8

[By Peter Seidlitz in Beijing]

[PTS Transcribed Text for FBIS] France has told its European neighbours it does not want to embarrass China with another human rights resolution in Geneva, Beijing-based diplomats said yesterday.

The United Nations Human Rights Commission will gather for its yearly meeting in Geneva on Monday.

In the past five years, the European Union has introduced resolutions condemning China, but has not been able to get the necessary votes. Last year, the resolution failed by just one vote.

Now the Europeans are in total disagreement how to proceed this year, the diplomats said.

In recent weeks, China's Foreign Ministry has put pressure on European governments to "rethink" their human rights policy.

The Chinese Government wants to convince the union that the yearly ritual in Geneva should be abandoned.

Last year, Germany's Chancellor Dr Helmut Kohl promised premier Li Peng a "rethink" of the issue.

First it was planned to water down the union's resolution and include some friendly remarks on "progress" made in China.

France's plan to drop the resolution altogether is seen as an attempt to create a positive climate for Mr Li's visit to France next month.

China argues it cannot be subject to "deliberations of the West in international conferences", but it is willing to talk to union countries on a bilateral basis about human rights.

However, diplomats in Beijing fear the renunciation of the union's resolution in Geneva would anger the United States.

Washington had been informed the union would present a new resolution and would, as in past years, fine-tune the text with the Americans.

The outcome of the human rights vote is also crucial to Foreign Minister Qian Qichen.

Mr Qian has put a lot of weight behind convincing the Cabinet his way of dealing with the Europeans and the West is the most effective.

East Europe**PRC: Chi Haotian, FRY Defense Minister Hold Talks**

OW1503122396 Beijing XINHUA in English 1143 GMT 15 Mar 96

[FBIS Transcribed Text] Beijing, March 15 (XINHUA) — Chi Haotian, vice-chairman of China's Central Military Commission, held talks with visiting Minister of National Defense of Yugoslavia Pavle Bulatovic in Beijing today.

Chi described the visit of Bulatovic as a symbol of restoration and development of high-level exchanges between the two armed forces, saying it would help promote good relations between the two countries.

Chi, also State Councillor and national defense minister, said that the Chinese People's Liberation Army has always adopted a positive attitude towards its relations with the Yugoslavian armed forces, and the current visit by Bulatovic would lay a sound foundation for the smooth, sustained and stable improvement of their ties.

China always follows the independent foreign policy of peace, he reiterated, saying that China opposes the action of interfering into other nations' internal affairs by making use of issues of ethnic groups, religion and human rights.

He said that China is an important force in safeguarding world peace and regional stability, and China's development and growth of strength would be a contribution to world peace and progress of mankind, rather than a threat to other countries.

"We are willing to strive, along with countries including Yugoslavia, for the safeguarding of world peace and stability, the development and prosperity of the world's economy, and the establishment of a just and fair world order," he stressed.

Bulatovic expressed the conviction that his visit would be helpful in the reinforcement of overall cooperation between the two nations, saying his country is willing to cooperate with China in various aspects.

Yugoslavia never believes that China would pose threat to the world. A stable China is beneficial to the stability in the Far East and Asia and contributes to world stability. In this respect, Yugoslavia wants to have full cooperation with China, Bulatovic said.

He continued that Yugoslavia highly appreciated China's principled position on the Taiwan issue and the policy of "one China, two systems" in settling issues of Hong Kong, Macao and Taiwan.

On the foreign policy of Yugoslavia, Bulatovic said that the country would not join in any military bloc, and is willing to reinforce its cooperation with other countries on the basis of equality, mutual respect and non-interference into each other's internal affairs.

The two defense ministers also exchanged views on other issues.

Prior to the talks, Chi presided over a welcoming ceremony in honor of the visitor, who arrived here on Thursday.

NPC

PRC: Jiang Zemin Responds to PLA Call for More Funds

HK1503045096 Hong Kong SING TAO JIH PAO in Chinese 15 Mar 96 p A8

[By reporter Kuang Tung-chou (6782 0681 5297): "Jiang Zemin Placates Military Representatives, Promises To Speed Up Equipment Improvements"]

[PTS Translated Excerpt for FBIS] In response to the call from the People's Liberation Army [PLA] delegates to the National People's Congress [NPC] session for an increase in military expenditure, CPC General Secretary Jiang Zemin made full allowances for their difficulties and promised to "speed up improvements in military equipment given the current national strength."

XINHUA News Agency quoted a military source as saying that China's defense expenditure was kept at only the lowest level necessary to ensure national security and that the scale of China's armed forces will not be expanded in the short term.

A Beijing source disclosed that the military, which is currently very discontented with the shortage of funds, hold that because of low military expenditure, the gap between China's and western countries' military equipment is widening. In addition, the fact that the military, which is prohibited from engaging in trade, cannot be fully subsidized has directly affected its morale.

On 11 March, Jiang Zemin specially held an informal discussion with the PLA delegates to the NPC session. Apart from calling on the Army to strengthen ideological building and obey the central authorities' orders, Jiang stressed the relationship between national defense and economic construction and promised to speed up improvements in military equipment given the current national strength. [passage omitted]

PRC: NPC Taiwan Delegates View Independence Activities

OW1503114596 Tokyo KYODO in English 1047 GMT 15 Mar 96

[FBIS Transcribed Text] Beijing, March 15 KYODO — China will focus its attention on the actions of Taiwan President Lee Teng-hui [Li Teng-hui] following his expected reelection on March 23 as the key to future relations between the two sides of the strait, "Taiwan delegates" to the ongoing National People's Congress (NPC) said Friday [15 March].

The purpose of ongoing Chinese military exercises in the Taiwan strait is not to influence the reelection of Li, but to expressly emphasize that whoever is elected

Taiwan president had better not engage in independence activities, said Wu Guochen, an NPC delegate claimed to represent Taiwan [as received] and professor at Beijing's Qinghua University.

"Li Teng-hui has indicated that he hopes to end the hostile situation between the two sides, but his statement so far lacks in concrete action. Beijing is now waiting to see what Li Teng-hui is going to do," Wu said.

China's military exercises have been largely seen as methods used by Beijing to influence Taiwan's first direct presidential elections as well as suppress the island's growing independence movement.

Lin Liyun, an NPC standing committee member, also claimed to represent Taiwan, discounted the possibility of war in the strait, but also emphasized the importance of Li's actions following the election.

Lin based her beliefs on recent statements by Chinese Vice Premier and Foreign Minister Qian Qichen when he told Taiwan delegates not to worry about the possibility of war and that the government's basic policy remains one of "peaceful reunification."

Following president Jiang Zemin's Jan. 31, 1995, eight-point speech on Taiwan reunification, relations between the two sides got better, but when in June last year the United States issued Li a visa to visit the U.S., relations rapidly deteriorated, she said.

"For us it was like a cold shower," Lin said of the visit which Beijing saw as de facto official recognition of Li by the U.S. Government.

"I hope Li Teng-hui clearly thinks about whether the direction he is leading Taiwan in is in the interests of everyone else," she said, while calling Li's reelection speech the key to future relations between China and Taiwan.

Since the nationalist government fled to Taiwan in 1949, Beijing has continued to claim the island as its own territory and worked to isolate it in the international community.

"Taiwan delegates" to China's NPC, while often having strong ties to the island, all live in the mainland and were selected by central authorities to represent Taiwan in the congress.

PRC: NPC Views Aid to Taiwan on Nuclear Waste Problem

OW1503130096 Beijing XINHUA in English 1247 GMT 15 Mar 96

[FBIS Transcribed Text] Beijing, March 15 (XINHUA) — China's legislature today offered to help Taiwan

solve its nuclear waste problem and hoped to increase exchanges and cooperation with the island on the issue of environmental protection and natural resources conservation.

Yang Jike, vice chairman of the Environmental and Natural Resources Protection Committee (ENRPC) of the National People's Congress (NPC), told a press conference today that Taiwan's nuclear waste problem can be solved as long as Taiwan returns to the motherland in the framework of "one country, two systems."

Since Taiwan is part of China, the spent fuel of its nuclear power plants is allowed to be transferred to the mainland for after-treatment, Yang explained at the press conference in the Great Hall of the People.

China, a signatory to an international convention prohibiting the shipment of dangerous wastes from one country to another for treatment, has rejected requests from a couple of foreign countries in this regard, Yang said.

The country is now building three low-to-medium-level storage pools for spent fuel — one in northwest China to be operational next year, one in south China to be completed in 1998 and the other in east China to be ready in 2002, Yang said. He refused to elaborate.

Two nuclear power plants, in Qinshan, Zhejiang province, and in Daya Bay, near Hong Kong, are in operation on the mainland. China is planning to build more nuclear power plants in coastal regions where energy shortage is persistent.

Qu Geping, chairman of NPC's ENRPC, said there have been many exchanges and cooperation between the two sides of the Taiwan straits, which he said should continue and develop, and achieve better results.

He welcomed Taiwanese people to invest in the mainland and cooperate with mainlanders in curbing pollution and conserving natural resources.

Said Lin Zongtang, ENRPC vice chairman: "We hope Taiwanese friends would not bring in pollution with their investments on the mainland."

PRC: Presidium of NPC Session Convenes 2d Meeting 14 Mar

OW1403144396 Beijing XINHUA in English
1209 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — The presidium of the Fourth Session of the Eighth National People's Congress (NPC) convened its second meeting here this afternoon.

An outline on the Ninth Five-Year Plan (1996-2000) and the long-range goals for the year 2010 was adopted

along with a draft resolution, which will be distributed among NPC deputies for deliberation before voting at a plenary meeting.

Liu Suinian, chairman of the NPC Financial and Economic Committee, delivered at the meeting a report on the implementation of the 1995 plan for national economic and social development and the draft plan for national economic and social development for this year. Both will be submitted for voting at a plenary meeting of the NPC.

The meeting also heard and adopted a report on the implementation of the central and local budgets for 1995 and on the draft central and local budgets for this year, delivered by Li Hao, vice-chairman of the NPC Financial and Economic Committee. Both will be submitted for voting at an NPC plenary meeting.

Li said his committee agreed that the guideline for the arrangement of this year's central and local budgets is correct and basically embodies an appropriately tight fiscal policy.

While the increase range in budgeted expenditures is lower than that in budgeted revenues and the budgeted deficit is somewhat reduced, and input in agriculture, science and education is increased, said Li.

Today's meeting was presided over by Qiao Shi, chairman of the NPC Standing Committee and executive chairman of the current NPC session.

PRC: Finance Minister on Economic Growth Mode Shift at NPC

OW1503081796 Beijing XINHUA Domestic Service
in Chinese 0230 GMT 6 Mar 96

[FBIS Translated Text] Beijing, 6 Mar (XINHUA) — In a report to the Fourth Session of the Eighth National People's Congress, Finance Minister Liu Zhongli said state budgets should be used to actively promote the shift of economic growth mode.

In his report on the implementation of the 1995 central and local budgets and the draft central and local budgets for 1996, the finance minister said: To effect a fundamental shift of the economic growth mode is a wise policy decision of the party Central Committee as well as one of the focuses for developing the Chinese economy and increasing the source of revenues. Through implementing the financial policies and utilizing budgets, taxation, and comprehensive financial resources inside and outside the budgets, state budgets should be used to actively promote the shift of economic growth mode. First of all, efforts should be made to reinforce financial support for agriculture and to effectively strengthen the

position of agriculture as the foundation of the national economy. While increasing the input into agriculture, local governments at all levels should ensure that financial expenditures earmarked for agriculture are available in full amount and according to schedule. They should improve the management of support-agriculture funds and raise the efficiency, and should never be allowed to divert such funds for other purposes. Meanwhile, they should pay close attention to using the price subsidy and financial discount policies to encourage rural collectives and farmers to increase their input into agriculture. Second, efforts to analyze enterprise production and management conditions should be stepped up, so as to discover problems in a timely way, facilitate enterprises to adopt measures for improving and strengthening internal management, and promote state enterprises' reform reorganization, and technical transformation. Third, it is necessary to actively support scientific, technological, and educational undertakings in terms of financial resources; to strive to implement the strategy of vitalizing China through science and education; and to increase the proportion in economic growth, that is attributable to scientific and technological progress. Fourth, efforts should be made to further strengthen and improve macroeconomic regulation and control, strictly control excessive growth of fixed asset investments and consumption funds, and make full use of price regulation funds and risk funds for grain and nonstaple food to adjust market prices, curb inflation, and further improve the macroeconomic environment.

PRC: NPC Deputy on Central Bank Competing With Overseas Banks

OW1503034596 Beijing XINHUA in English
0319 GMT 15 Mar 96

[FBIS Transcribed Text] Beijing, March 15 (XINHUA) — China's major foreign exchange bank is ready to compete with overseas banks on an equal footing, a senior banker said here today.

Liu Jinbao, president of the Shanghai Branch of the Bank of China (BOC) made the remark when he was asked to comment on allowing banks from overseas to deal in the local currency, the renminbi yuan.

The People's Bank of China, the central bank, announced earlier that overseas banks would experiment with yuan business on a selected basis first in the Pudong New Area, the financial district of the country's largest metropolis of Shanghai.

"Opening the financial sector wider to foreign banks contributes to the prosperity of Shanghai's economy and upgrading of the city's internationalization level," Liu said.

He noted that overseas banks may nibble away part of the BOC's business on a short run but, on a long run the increase in the number of foreign banks in Shanghai and the expansion of their business scopes will help promote local economic development.

"The BOC is willing to compete with overseas banks on an equal footing," Liu told XINHUA.

The BOC monopolized the banking business in foreign exchange and foreign trade settlements before China opened its financial sector to overseas competition in 1992, when the Chinese Government allowed foreign banks to establish operational branches in Shanghai, Shenzhen, Tianjin and Dalian.

To date, Shanghai has 42 foreign bank branches and 128 representative offices, according to official sources.

Liu acknowledged that foreign banks have posed the most serious challenge to the BOC in foreign trade settlements, adding that his bank's business in this regard has been cut by 50 percent.

He said BOC Shanghai's settlement business has stabilized at some 50 percent of the city's total.

Foreign banks will be allowed to expand their business scopes only step by step, as China still does not have adequate financial legislation, Liu explained.

The state-owned specialized banks have not yet been turned into commercial entities and are overburdened with the policies-related obligations and they still cannot compete fairly with foreign banks," Liu said, noting that the country's accounting system is yet to be brought into line with international conventions.

PRC: Beijing To 'Strengthen Implementation' of Consumer Laws

OW1403135796 Beijing ZHONGGUO XINWEN SHE in English 0335 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (CNS) — With counterfeit and low-quality products flooding the market, China will adopt measures to strengthen implementation of the law to combat unscrupulous merchants and safeguard the legal rights and interests of consumers.

The State Administration of Industry and Commerce has set 1996 as the year in which laws pertaining to fair transactions will be strictly enforced and, by so doing, build up its image. Protection of consumers' rights and interests is regarded as the most important aspect of this task.

At the just-ended Fourth Session of the Eighth Chinese People's Political Consultative Conference (CPPCC)

and ongoing Fourth Session of the Eighth National People's Congress, deputies found themselves satisfied, after discussion, with the principals of opposing unfair competition and the protection of the legal rights and interests of manufactures and consumers in the "Ninth Five-Year Plan" period and long-term targets up to 2010. They thought that protection of consumers' rights and interests accorded with the popular will. Governments at all levels should supervise and regulate the market properly.

March 15 is "International Consumers' Rights and Interests Day". However, in China, the protection of consumers' rights and interests was a difficult task. Gan Guoping, Deputy Director of the State Administration of Industry and Commerce, said that China should take practical measures to protect consumers' rights which should be the same as those for manufacturers.

PRC: Report on 1996 Draft Development Plan Made at NPC

OW1403210796 Beijing XINHUA in English
1551 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — The guidelines, principles and key points of the draft plan on China's national economic and social development for 1996 are believed to be correct and various indices can be taken as feasible.

A report on examination of the draft plan for 1996, made by the Financial and Economic Committee of the National People's Congress (NPC), was approved this afternoon at the second meeting of the Presidium of the Fourth Session of the Eighth NPC.

Liu Suinian, chairman of the committee, delivered the report at the meeting.

China's economy is planned to grow by eight percent in 1996, the increase rate of retail prices will be about ten percent, and the increase rate of investment in fixed assets will be somewhat 32 percent.

The committee held that such indices are feasible and the overall arrangements for 1996 appropriate, Liu said.

In case some adjustments are needed to be made during the course of implementing the plan, the NPC Standing Committee should be notified on relevant readjustments in advance, Liu said.

To fulfill the national economic and social development plan for this year, Niu said efforts should be made to implement the principles and policies set forth by the CPC Central Committee and concentrate on the two shifts in economic structure and economic growth mode.

In his report, Niu also emphasized the importance of promoting economic restructuring, rationalizing relations in various fields and diverting the mode of economic growth to the improvement of structure, management, quality and performance so as to promote the sustained, rapid and healthy economic development.

A report by the NPC Financial and Economic Committee held that the plan for 1996 lacks detailed measures to promote the shifts in economic structure, strive for better agriculture harvest, accelerate the reform of the state-owned enterprises and improve economic performance.

To this end, the committee suggested that measures be taken to consolidate agriculture as the basis of the national economy and to reinvigorate rural economy and enhance the effort in the reform of the state-owned enterprises. The committee also urged on improving economic performance, curbing inflation, readjusting individual income distribution and promoting a coordinated regional economic development.

Generally speaking, the state plan for 1995 has been well implemented as the major goals for national economic and social development have been met, the report said.

However, the report also warned of some contradictions and problems which have long existed in economic life such as price hikes, no substantial improvement in agricultural production conditions and growing state debts.

So, he said, efforts should be made in 1996 to do well in various aspects of work, which is of great significance to fulfilling various tasks in the Ninth Five-Year Plan period (1996-2000).

To meet the targets, leading officials at various levels should enhance political work and step up anti-corruption drive to fulfill the national economic and social development plan for the year 1996 and to lay a solid foundation for the accomplishment of various tasks set forth in the Ninth Five-Year Plan period, Niu said.

PRC: NPC Deliberates Long-Range Development Program

OW1403145496 Beijing XINHUA in English
1343 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — China's long-range development program being deliberated in the on-going session of the National People's Congress (NPC) will strengthen China's national strength and offer enormous business opportunities for overseas investors.

The Chinese economy will maintain a growth rate of eight percent in the next five years. Such a rate is encouraging for the world as a whole at a time when the economy is slowing down in the West, said Prof. Wang Linsheng, former vice-president of Chinese University of International Business and Economics.

If China can achieve its goals for economic and social development over the next 15 years, the living standard of its people will be markedly improved, hence a large consumer market, said Wang.

He said the rapid economic growth itself means a rise in business opportunities. The vast and expanding market potentials will increase business returns for foreign investors, he said.

Latest statistics available show that China made use of 160 billion U.S. dollars in foreign investment during the five years from 1991 to 1995. China ranks the second in term of the total amount of overseas investment it has used, only next to the United States.

Dai Yuanchen, a highly-acclaimed economist from the Chinese Academy of Social Sciences, said China must undertake major technological upgrading and transformation to bring about a shift from traditional planned economy to market economy and from being extensive to intensive.

He noted that in addition to aid from the state, a large number of enterprises require foreign funds and technology in updating their technology and products so as to meet the demands of international competition.

According to the development program, China is expected to produce another 25 million to 35 million tons of food grain annually by the year 2000. To this end, it will intensify its efforts to seek for more foreign capital in agriculture production in which several dozen billion U.S. dollars have already been invested.

The program says China is going to pursue a development strategy aimed at narrowing regional disparity between the coastal regions and the central and western parts of the country in the next 15 years.

"More preferential policies will be granted for those foreign businesspeople to invest in the country's central and western parts," said Mun Kin-chok, a senior scholar from the Chinese University of Hong Kong.

Noting that a major obstacle hindering the development of the central and western parts lies in their weak infrastructure facilities, Mun urged local governments to give higher business returns in the form of building, operation and transfer (BOT) so as to attract more long-term investment from overseas.

As a matter of fact, Dai Yuanchen noted, the flow of large amounts of foreign investment over the past 17 years has helped promote China's economic progress. And foreign investors have obtained enormous economic returns from their investment. This is ascribed to the steady increase of foreign investment in China, Dai added.

The economist cited Motorola as an example, saying that the U.S. business giant has taken up 30 to 40 percent of supplies in radio pagers. The company plans to reinvest all its profits in Tianjin, a port city in north China and turn its production base in Tianjin into a major production center for Asian-Pacific region.

In view of the tremendous achievements European auto makers have obtained in China, he noted, Toyota of Japan has bought 20 percent in shares from the Beijing Wagon Plant.

Regarding the major potential business areas, automobile-making and banking businesses, Dai described them as the two leading business sectors for foreign investment. Besides, he added, the investment in computers and telecommunications are also promising.

China's macro-control effort will help curb inflation and wage increase which will contribute in cutting down the cost, Mun Kin-chok said. This constitutes another effort by the Chinese government to improve investment environment.

PRC: Li Peng Meets With NPC Delegates From Shandong 14 Mar

*OW1403205596 Beijing XINHUA in English
1519 GMT 14 Mar 96*

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — More than 100 deputies to the National People's Congress (NPC) from Shandong Province gathered in the Shandong room of the Great Hall of the People here for a panel discussion this morning, with Premier Li Peng expected to attend.

"Selling cigarettes here?" he asked when the premier entered the room at 9:00 in the morning. Several brands of cigarettes on a side table had caught his attention.

"Beijing has decided to ban smoking at public places, and the regulation is to become effective on May 15 this year. The Great Hall of the People should no longer sell cigarettes," Li said.

Attendants came forward to explain that all rooms of the Great Hall of the People have been smoking free during the NPC and CPPCC sessions in response to Beijing's

smoking ban. Selling cigarettes in the room was only a temporary service for the convenience of the deputies.

The cigarettes were withdrawn immediately, and workers of the Hall said they will no longer sell cigarettes in the hall.

Li gave his approval. Turning to the deputies, he then said: "I'm also a deputy, may I make a suggestion now?"

"I suggest that we people's deputies set an example in observing the no smoking ban at public places," he said.

"Good!" deputies said, and applauded.

The meeting evolved into heated discussions with the premier occasionally chipping in to ask questions or air opinions.

Mayor of Jining Wang Renyuan said Jining's "liquor-making industry has made marked progress" in the last five years, and the sales volume of its two liquors "tops the list of liquor makers nationwide..."

"Excuse me, I have a word here," Li said to Wang. "You have mentioned the liquor-making industry, which I have been thinking about for a long time."

"Our grain output, instead of being too much, is not enough. National liquor output is quite high, consuming 25 billion kg of grain annually, which is not a small amount in my opinion," he said.

"Now liquor-making factories are everywhere, and some have to buy grains from other places to make spirits," he said.

In addition to consuming grain, spirits are also harmful to people's health, Li said, adding that corruption often brews in a cup of liquor.

"May I raise another suggestion? Can't we call on the society to consume less spirits and replace them with fruit wines?" he said. "In family gatherings or get-togethers with friends, fruit wine can enliven the atmosphere as well."

Li said China has abundant forest resources, which provide enough raw materials to make fruit wines.

"Drinking fruit wines is helpful to our health, does not waste grain, and is good for social ethics," he said.

The deputies again responded with applause.

PRC: Chen Jinhua Reports to NPC Session

OW1403130496 Beijing XINHUA Domestic Service
in Chinese 0207 GMT 6 Mar 96

[FBIS Translated Text] Beijing, 6 Mar (XINHUA) — In his report to the Fourth Session of the Eighth National People's Congress [NPC] on 5 March, Minister

Chen Jinhua of the State Planning Commission said: Implementation of our country's 1995 plan for national economic and social development, on the whole, was good, and the main objectives in macroeconomic regulation and control were achieved.

In making the "Report on Implementation of the 1995 Plan for National Economic and Social Development and on the 1996 Draft Plan for National Economic and Social Development" at the session, Chen Jinhua listed the following achievements:

Initial results were achieved in curbing inflation. The range of price hikes in 1995 dropped month by month, from 21.2 percent in January to 8.3 percent in December. The 1995 retail-price index went up by 14.8 percent, achieving the objective of price regulation and control set by the Third Session of the Eighth NPC.

The national economy grew in a sustained way. According to preliminary statistics, the gross domestic product [GDP] in 1995 reached 5,773.3 billion yuan, an increase of 10.2 percent over the previous year. Thus, a good momentum for comparatively rapid growth was continuously maintained. The primary industry grew by 4.5 percent, the secondary industry by 13.6 percent, and the tertiary industry by 8 percent. Although agriculture suffered from rather serious flooding and droughts, fairly good harvests were reaped. The output of all major products increased. Total grain output reached 465 billion kilograms in 1995, increasing nearly 20 billion kilograms over 1994 and setting the highest record. The added value of industrial output in 1995 was 2,471.8 billion yuan, increasing 14 percent over 1994. The increase of industrial output in central, western, and eastern regions was synchronized.

The construction of key projects was further strengthened. Investments by all sectors in fixed assets totaled 1,944.5 billion yuan, increasing 18.8 percent over the previous year; however, the increase range reduced by 12.6 percentage points, and the investment rate dropped from 35.1 percent in 1994 to 33.7 percent in 1995. The investment structure was improved to some extent, and the construction of key projects was strengthened. A number of capital construction projects and key technical transformation projects were completed and put into production.

The balance between revenue and expenditure, as well as credit and money supply, was controlled rather well. Financial revenues increased quite fast. Comprehensive data on implementation of both the central and local budgets show that financial revenues throughout the country totaled 618.77 billion yuan, an increase of 18.6 percent over 1994, that financial expenditures totaled 680.91 billion yuan, an increase of 17.6 percent, and that

the balance between revenue and expenditure was 62.14 billion yuan. Of this balance, the central financial deficit accounted for 66.44 billion yuan, which was controlled within the budgetary target; and local financial surplus accounted for 4.3 billion yuan. Treasury bonds were smoothly issued according to plan. Financial operations were relatively stable. The total volume of credit in society was controlled well, and the amount of money put in circulation was noticeably decreased. The amount of money issued in 1995 was 59.7 billion yuan [figure as transmitted], 90 billion yuan [figure as transmitted] less than the planned amount.

The reform of the economic structure continued. New progress was made in the reform of state-owned enterprises. Proceeding in an all-round way were experiments on the establishment of a modern enterprise system in large and medium-sized enterprises, on the organization of enterprise groups, and on the reform of enterprises in some cities. Considerable progress was made in the reform of the social security system with the stress on endowment insurance and unemployment insurance and in the reform of the housing system. The "Budget Law," the "Law Governing the People's Bank of China," the "Law on Commercial Banks," and the "Insurance Law" have been formerly put into effect. Thus, our country has taken an important step forward in codifying budgetary and banking management.

Fresh progress was made in opening to the outside world. The total volume of import and export in 1995 reached \$280.9 billion, increasing 18.6 percent over the previous year. The mix of imports and exports was continuously optimized. A relatively large scale of utilizing foreign funds was maintained, and the structure and returns in this regard were improved to some extent. In 1995 we made foreign loans totaling \$10.7 billion and absorbed \$37.7 billion of direct foreign investment. The structure of balance of international payments was noticeably improved. Our country had a foreign exchange reserve of \$73.6 billion at the end of 1995, an increase of \$22 billion over that at the beginning of the year.

PRC: Chen Jinhua Views Development Plan at Press Briefing

OW1403130296 Beijing XINHUA Domestic Service in Chinese 1247 GMT 8 Mar 96

[FBIS Translated Text] Beijing, 8 Mar (XINHUA) — Chen Jinhua, minister of the State Planning Commission, stressed today at a news conference on the sessions of the National People's Congress and the National Committee of the Chinese People's Political Consultative Conference [CPPCC] that achieving the great objectives set in the "program" will further greatly improve

the social productive forces, overall national strength, and people's living standards of our country. He made this remark while answering questions raised by Chinese and foreign reporters about the Ninth Five-Year Plan and the Program for the Long-term 2010 Target.

Chen Jinhua said: According to the target set in the "program," China in the next 15 years will firmly implement its policy of opening to the outside world and welcome foreign businessmen to continue to invest in the country, especially in some important sectors. Our country's important sectors of development in the Ninth Five-Year Plan period will include agriculture, infrastructural facilities, and basic and pillar industries. We particularly welcome foreign businessmen to invest in the central and western regions of our country. There are rich resources and a vast market in those regions, where labor and land costs are comparatively low and the prospects for investment are very good.

Referring to China's effort to eliminate poverty, Chen Jinhua said: According to the "program," China will basically eliminate poverty by the year 2000. Through our unremitting efforts, our country's poverty-stricken population had been reduced to 65 million by the end of the Eighth Five-Year period. With the increase of our country's national strength, we have intensified our efforts at poverty relief, such as relieving people in disaster areas by giving them employment instead of outright grants. The state will increase its input by 5 billion yuan in poverty relief during the Ninth Five-Year Plan period. Since we have a wealth of experiences in helping the poor in addition to wide social concern and participation, the objective to eliminate poverty certainly can be achieved.

On financial questions, Chen Jinhua said: One of the present measures for macroeconomic regulation and control is an appropriately tight monetary policy. Inflation dropped from 21.7 percent in 1994 to 14.8 in 1995. The economic environment improved, which proved this policy to be effective. We will continue to implement an appropriately tight policy in issuing currency this year. This appropriately tight policy does not mean tight money. In 1995, the country's industrial added value increased by 14 percent, and the import-export volume by 18.6 percent; the investment rate reached 33.7 percent. All these just could not be achieved without adequate money supply. This shows that our monetary policy is suited to economic development. Appropriately tight macroeconomic regulation and control also involved microeconomic regulation [wei tiao 1792 6148], such as the good results achieved in purchasing farm products and ensuring the funds for key construction projects.

Chen Jinhua also answered reporters' questions on guaranteeing funds for building the Three Gorges Project.

PRC: Deputies Call For Stronger NPC Supervisory Mandate

OW1503003296 Beijing ZHONGGUO XINWEN SHE in English 0324 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (CNS) — Beijing municipal deputies to the current session of the 8th National People's Congress (NPC) have put forward 15 proposals, two of which appeal for a strengthening of the supervisory role of the NPC. They suggested that the legislative body set up a supervisory committee and that it enact a supervision law as early as possible.

An appeal for stronger action to counter corruption was also made by various members of the municipal delegation in the light of the exposure last year of serious violations of discipline and the law committed by former deputy mayor Wang Baosen and the former secretary of the Beijing Municipal Party Committee, Chen Xitong. Reinforcement of the NPC's supervisory role was the issue that the Beijing delegation to the NPC session highlighted.

According to one of the delegation's motions, the need to fight corruption increased in proportion with the pace of reform and development in the socialist market economy. While an honest administration was being created, laws to counteract corruption together with their proper implementation had to be put in place. The motion therefore called for the establishment of a supervisory committee as early as possible to meet these ends.

Another proposal was directed to the enactment of a supervision law. It states that some laws and regulations were not being effectively enforced mainly due to loose enforcement, even though the NPC and its standing committee along with the local People's Congress had achieved striking legislative success in recent years.

China has so far stopped short of introducing a supervision law. It has failed to institutionalize a supervisory authority as stated in the Constitution and it has failed to enact such a law. Supervision carried out by local legislatures and their standing committees did not have a statutory basis at present.

The second motion put forward by the Beijing delegation, therefore, suggested that a supervision law be drafted as early as possible in order to enable the NPC to better monitor the government, the courts and the procuratorate.

PRC: NPC Deputy Says Statistical Exaggerations Must Stop

OW1403150296 Beijing XINHUA in English 1423 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — Exaggeration in statistics must be halted, urged deputies to the National People's Congress in session here.

Gong Wenxiang, a township official from Hubei Province, said his investigations in several provinces and cities show that serious statistical exaggerations are rampant in some areas.

"Playing with figures has resurfaced," he said.

Some localities and departments do not concentrate their efforts on increasing production and improving economic efficiency but on inflating figures to fish for fame and personal gains, Gong said.

He said, according to his analysis, local officials often inflate statistics to show off their achievements. Over-high quotas and red-tape are also accountable for false figures.

"Some officials never do investigations at the grassroots but instead feel satisfied with reading materials and hearing reports prepared by their inferiors," Gong said.

Qin Lirong, a businessman also from Hubei, pointed out that officials in some areas encouraged or even ordered their inferiors to make up figures.

In one case, he said, an unexaggerated county statistics sheet was declined by the higher authorities because of a deficit. Only after a complete set of figures was fabricated to cover the deficit was the sheet accepted. Moreover, the officials involved were then given a prize and promoted.

Some deputies noted that exaggerations, which peaked at the "Great Leap Forward" period starting in 1958, inflicted serious losses to the national economy.

"Big talks, false facts and inflated figures have not only damaged the image of our party and government and harmed the interests of the masses," one deputy said. "They have also misled the authorities in macro-economic decision-making and disturbed the national economic order."

The deputies urged people to be alert against exaggerations and carry forward the good tradition of seeking truth from facts.

The fulfillment of China's medium and long-term development goals relies on an earnest work attitude and down-to-earth work style, the deputies stressed.

PRC: SEZ Official Views Special Economic Zone Role, Policy*OW1403144796 Beijing XINHUA in English
1415 GMT 14 Mar 96*

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — China's special economic zones (SEZ) should continue to be special to lead the country in establishing a socialist market economy and making its economic system conform to international practices.

In an exclusive interview with XINHUA, Ge Hongsheng, newly appointed director of the Special Economic Zones Office under the State Council, reiterated that the central authorities' resolve on the establishment of SEZs, the basic policies on SEZs, and their status and functions will remain unchanged.

Ge's remarks in a sense are directed at people's concern over SEZs' prospects after the state withdrew last year from them preferential policies in finance and taxation granted earlier to SEZs.

The former governor of Zhejiang province acknowledged that SEZs' past development was considerably fueled by the state's preferential policies, especially those on finance and taxation.

He expected SEZs to keep its vitality and development momentum, to be demonstrated by a higher economic growth rate than the national average.

"However, they are not likely to claim the same high rate as that during the past 15 years, neither will they make the same pace in introducing overseas capital," he said.

Since 1980, China has set up five SEZs in Shenzhen, Zhuhai, Shantou, Xiamen, and Hainan. By 1994, overseas businesses had invested 16.8 billion U.S. dollars in 30,000 overseas-funded projects there, accounting for one seventh of China's total.

Ge pointed out SEZs should focus on adjustment of their industrial structure and improvement of product quality and economic efficiency.

"If the SEZs keep its growth rate at around 14 percent each year, their total GDP will still double in five years," he said.

Establishment of a new economic growth mechanism is central to the SEZs' future development, he said. In a long-term view, the SEZs' experience under equal competition conditions will be more persuasive and they can serve a better role model for other areas in the country.

Ge stressed the SEZs will continue to carry out experiments in financial, trade and commercial fields, giving

equal treatment to Chinese and overseas-funded businesses, and the social security system.

"If they can make a success of experiments in reform of state-owned enterprises, they will make a great contribution to the country," he noted.

PRC: NPC Deputies Discuss Regional Economic Disparities*OW1403145996 Beijing XINHUA in English
1258 GMT 14 Mar 96*

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — The growing regional disparity between the eastern and central and western parts has been a focal point at the annual sessions of the National People's Congress (NPC), and deputies to the on-going session have finally got an answer for it.

The central and western parts are referred to the provinces and autonomous regions except for the 12 coastal provinces and municipalities. [sentence as received] The following statistics can give people a gist of an idea concerning the widening regional disparity:

— China's national average annual increase rate of gross national product (GNP) was 11.7 percent in the five years from 1991 to 1995. The figure climbed to 16 percent in the eastern part while it was only nine percent in the central and western regions.

— In 1990, the eastern areas produced 55.4 percent of the country's gross domestic product (GDP), whereas the central and western parts, which occupy 85 percent of the territory, turned out only 44.6 percent of the GDP.

— Farmers' per-capita income in the east is more than 15 times that in the west.

Since the end of 1987, China shifted its development strategy eastward by granting preferential policies to coastal provinces in financing, credit loans and investment, which accelerated economic growth in the east but resulted in a widening income gap.

The widening regional disparity is inevitable for a country ready for an economic take-off, said Cui Lintao, party secretary of Communist Party of China (CPC) Xian City Committee.

According to official sources, 67.4 percent of the total fixed investment were poured into the country's eastern areas while the central and western parts got only 32.6 percent.

Last September, the Fifth Plenary Session of the CPC Central Committee set forth a proposal guiding the drafting of the Ninth Five-Year Plan period (1995-2000)

and long-term objectives to the year 2010, which unveiled China's decision to promote coordinated regional development in the next five to 15 years.

To implement the principle, the Chinese government plans to introduce five major new policy measures for the development of central and western parts in the next five years.

These policies include stepping up resources development and infrastructure projects; adjusting the distribution of processing industries by guiding the transfer of resources-processing and labor-intensive industries to the central and western parts of the country.

Other policy measures are listed as rationalizing the prices of resources products so as to enhance the self-development abilities of the central and western regions, improving the investment environment and directing more foreign funds to these regions and strengthening economic association and cooperation, encouraging the eastern areas to invest more in the central and western parts.

Such new policies set by the central authorities are welcomed by NPC deputies from the central and western regions who reiterated their resolve to seize the opportunity and turn advantages on the concentration of resources in their regions to economic advantages.

According to the authoritative personalities, by early next century, more than 50 percent of the electric power to be required in China's coastal eastern parts will come from the central and western parts, and over 60 percent of the demand for raw materials is expected to rely on supplies from the country's interior areas.

Qinghai Province, northwest China, remains one of the most underdeveloped areas in the country, but Governor Tian Chengping shows full confidence in invigorating his province economically.

Qinghai boasts abundant hydraulic power resources along the upper reaches of the Yellow River, and its potential of mineral resources which will be worth as much as 17.5 trillion yuan (about 2.1 trillion U.S. dollars).

The governor held that China's development must rely on domestic resources, just as what the United States did to develop its western parts and what Japan did to develop Hokkaido.

According to Tian, salt lakes in Qinghai have the potential of producing 97 percent of the country's potash fertilizers. Owing to inadequacy of exploitation and utilization, China has to spend some 200 million US dollars importing more than two million tons of potash fertilizers every year.

Qinghai will work hard to expand potash fertilizer projects as part of its effort to revitalize local economy and ease the shortage of potash fertilizer in eastern parts, and the entire country at large, the governor said.

NPC deputies from the central and western parts said the disparities between their areas and the eastern parts can only be narrowed in the wake of common development.

With plentiful regional resources, vast markets and cheap labor, the central and western parts are imbued with tremendous potentials for future development and have attractive reciprocal rate for investment.

On the other way round, the advantages of the eastern areas in capital, technology, talented people, information and manufactured goods are just what the central and western parts aspire.

NPC deputies from economically booming eastern China also show their understanding of and support for the country's policy of coordinating development between different regions.

"Forerunning growth of the eastern region has been scored, to some extent, at the expense of central and western parts," said Li Chunting, governor of east China's Shandong Province.

"However, he added, in a long-run, only when the economies of the central and western parts are developed can the whole country's comprehensive national strength be enhanced and the economy in eastern parts be beefed up with staying power," Li said.

Quicker economic growth in central and western parts will be conducive to the coordinated development of the national economy, said Xu Kuangdi, mayor of Shanghai.

Xu noted that this will also open broader space for Shanghai's pillar industries and newly-emerged economic sectors, and benefits industrial restructuring and upgrading of products in Shanghai.

Wu Jinglian, a noted Chinese economist, held his unique view on narrowing of the east-west gaps. A complete and unified domestic market should be established so that capital can flow to interior areas where there are abundant natural resources and labor resources, he said.

Then the state should help make up the deficiencies that have arisen from the weak infrastructure facilities and shortages of managerial personnel and technicians in the interior regions, Wu said.

PRC: Minister Discusses Reform of State-Owned Enterprises*OW1503010896 Beijing ZHONGGUO XINWEN SHE in English 0416 GMT 14 Mar 96*

["State Owned Enterprises Reform Not Path to Privatization" — CNS headline]

[FBIS Transcribed Text] Beijing, March 14 (CNS) — Reform of China's state owned enterprises could only follow the cardinal principle of building socialism with Chinese characteristics and privatization was not possible, Wang Zhongyu, Minister at the State Economic and Trade Commission, told a press conference on the sidelines of the 8th National People's Congress current session.

Instructions clearly provided for the restructuring of state owned enterprises at the plenary session of the 14th Central Committee of Communist Party of China. They stipulate that public ownership must play dominating role while various ownership developed. The third Plenary Session of the 14th Central Committee of CPC suggested the creation of a modern enterprise system.

A total of 1,000 state owned medium and large sized enterprises were chosen for reform last year. Mr. Wang revealed that all these selected were both leading companies in the state owned sector of the economy and wholly owned by the state. They were however allowed to enter into joint or cooperative ventures with foreign investors in accordance with relevant regulations. The proportion of foreign investment permitted in such joint ventures varied on a case by case basis.

Mr. Wang was convinced that state owned enterprise reform should be phased in because outstanding long term problems affecting these enterprises were very complicated. Other corresponding reforms had to be conducted simultaneously in order to work out a comprehensive solution to the problems. The ability to bear the pressure brought by such reforms on the state, part of enterprises and individuals had to be taken into account before reforms were carried out. A correlation between reform, stability and development had to be maintained.

According to statistics on state owned industrial enterprises, the minister said, losses totalled RMB [renminbi] 40.9 billion last year, 20.5 percent up over 1994. Statistics relating to industrial enterprises that employed an independent accounting practice revealed that their losses were RMB 88.3 billion, or 34.4 percent more than in 1994. Mr. Wang stressed that measures had to be adopted to resolve this problem. In 18 cities which conduct pilot reforms, 103 enterprises were declared bankrupt last year. China is considering enacting

a Bankruptcy Law for the full scale liquidation of loss-making enterprises.

Mr. Wang revealed that even though state owned enterprises accounted for a declining proportion of the enterprises generally in recent years, their dominant role in the national economy remained unchanged. No further decline in their contribution to the economy was expected for some time to come.

Publicly owned enterprises fell to 80 percent of the total last year, down from 99.5 percent in 1980. State owned enterprises similarly declined to 42.8 percent from 77.6 percent. Mr. Wang however pointed out that state owned enterprises accounted for 60 percent of the total assets of all enterprises, 55 percent of gross sales revenue and 60 percent of profit taxes paid. They were still the main sources of state revenue.

The minister noted that important economic areas including railways and primary industry were still wholly owned by the state. A greater decline in the number of state owned enterprises as a proportion of the total took place in industries that manufactured light textiles, household electrical appliances and necessities.

PRC: Jiangsu Governor Holds News Conference at NPC*OW1503101996 Beijing XINHUA in English 0910 GMT 15 Mar 96*

[FBIS Transcribed Text] Beijing, March 15 (XINHUA) — East China's Jiangsu Province is expected to achieve 34 billion U.S. dollars in foreign trade volume by the year 2000 with an annual growth rate of 19.4 percent, Zheng Siin, provincial governor, said here today.

At a press conference sponsored by the press center of the on-going session of the National People's Congress, Zheng said foreign trade will make up 35 percent of Jiangsu's gross domestic product (GDP) from the current 26.6 percent.

He told both Chinese and overseas correspondents present that his province plans to seek for use of 30 billion U.S. dollars over the next five years and the amount of investment by foreign-funded enterprises is expected to account for 35 percent of the fixed capital investment. [sentence as received]

According to the governor, Jiangsu produced 515 billion yuan in GDP, the second largest after south China's Guangdong Province, at an annual increase of 18 percent.

To date, the province has established more than 29,000 foreign-funded enterprises with the actual use of 15.3 billion U.S. dollars in foreign investment.

Zheng said the province will accelerate the opening up of areas along the Chang Jiang River, coastal areas and an economic belt along a rail route between Xuzhou and Lianyungang Port and divert the foreign investment to high-yielding, good-quality and highly efficient agriculture production.

Zheng assured overseas businessmen that the province would work hard to its improve investment environment by increasing input into infrastructure facilities and training more expertise to keep pace with international conventions.

PRC: Tibet Deputies Pledge Grain Self-Sufficiency

OW1503014096 Beijing XINHUA in English
0119 GMT 15 Mar 96

[FBIS Transcribed Text] Beijing, March 15 (XINHUA) — Tibet is expected to be able to feed its own population by the turn of the century — this is a resolve pledged by deputies present at the on-going session of the National People's Congress (NPC).

According to NPC deputies, Tibet will realize in the main the goal of self-sufficiency in the supply of food grain, meat and edible oil and eliminate poverty by the year 2000, and a majority of its population will then become relatively affluent.

To achieve the goal, Tibet will produce one million tons of food grain, 50,000 tons of rapeseed, 120,000 tons of meat at the end of this century when its population reaches 2.5 million.

The autonomous region produced 700,000 tons of cereals last year, but a remarkable proportion of its food grain supplies had to be purchased from other parts of China.

In an effort to achieve the new target, the autonomous region plans to carry out a series of grain increase projects. Six counties along three major rivers, namely the Yarlung Zangbo, Lhasa and Nyang rivers, major bread baskets of the region, will produce a total of 350,000 tons of grain in five years.

During the Ninth Five-Year Plan period (1996-2000), the autonomous regional government plans to increase its investment in farming and animal husbandry businesses and pour in 1.3 billion yuan in agricultural development and major construction projects, more than five times that over the past five years.

Starting from this year, the Tibet Autonomous Regional Academy of Agricultural sciences will provide new seed strains to local farmers and accelerate the upgrading of new agro-technologies so as to produce more food grain for the region.

PRC: Shenzhen, Hong Kong Deputies Propose Water Project

OW1403234696 Beijing ZHONGGUO XINWEN SHE
in English 0542 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (CNS) — According to a forecast, Shenzhen and Hong Kong will suffer from a shortage of water by the turn of this century or early in the next century. Thirty-seven deputies, including some from Shenzhen and Hong Kong, submitted a proposal to the current session of the 8th National People's Congress for an early start on a water supply project for the two territories.

The motion said that Shenzhen was one of seven cities faced with a shortage of water supply and that water available per capita in Shenzhen was a mere 28 percent of that for Guangdong Province as a whole. Hong Kong depended on the mainland for its water supply which came via Shenzhen.

The solution to the water supply problem involved a reasonable distribution and use of water resources in the Pearl River Delta as well as the coordination of interests of other areas and a number of departments. It took at least seven to eight years for a large water diversion and supply project to be completed. It was, therefore, of great urgency to get the project underway as early as possible. The project would be one of the main guarantees for ensuring the stability and prosperity of the two territories in the future.

The 37 deputies suggested, in their motion, that the Shenzhen and Hong Kong water project be listed as a state level infrastructure project and that priority had to be given to it. A water resources planning coordination team for Shenzhen and Hong Kong should be set up with members coming from relevant ministries and commissions, Guangdong, Shenzhen and Hong Kong. The team should provide a scientific basis for the project by conducting a feasibility study on a proposal for Shenzhen and Hong Kong's long term water supply.

PRC: Euthanasia Proposal by Shanghai NPC Delegates Noted

OW1403235596 Beijing ZHONGGUO XINWEN SHE
in English 0541 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (CNS) — At the current 4th session of the 8th National People's Congress (NPC), delegates from Shanghai have put forward a total of 14 proposals, including one to place euthanasia under legislative control.

Dr. Wu Zhaoguan, a well-known surgeon at Shanghai's Zhongshan Hospital, was the architect behind the mo-

tion and was supported by 33 other members from his delegation.

Dr. Wu said that now was not the right time for the national legislature to seek to control euthanasia. It should first be tried out in Shanghai and monitored by the National People's Congress (NPC).

It is understood that at the last full NPC session, 170 delegates from four different regions proposed that euthanasia should be legalized. However, the NPC considered that euthanasia was still a highly controversial issue in international medical and legal circles whilst opinions in China were divided. Accordingly, the legislature decided that the time was not suitable for legislation.

Shanghai, Dr. Wu said, was a more open city where the local people might be more willing to accept innovative concepts and ideas. He believed that few local citizens were opposed to euthanasia.

The practice of euthanasia had to be strictly controlled. Dr. Wu said that it was the patient who should propose it and that his proposal must be supported by his family. Alternatively, family members could propose euthanasia if the patient was in a coma, in which case consultation would be necessary and the consent of a panel of doctors required to the effect that the patient had no chance of survival.

Euthanasia might instill new concepts about life and death in people as a result of which they may be willing to donate their organs to save the lives of others, the doctor said.

PRC: Tibetan NPC Deputies Stress Economy, Environment

OW1403210896 Beijing XINHUA in English
1513 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — The remote Tibet Autonomous Region will not pursue short-term economic growth at the cost of environment, regional officials have promised.

Tibet attaches equal importance to economic growth and environment protection in its medium- and long-term development program which is under way, said regional officials here attending the current session of the National People's Congress.

In the next five to 15 years, Tibet will give priorities to development of forestry and mineral resources and to the raising of the efficiency in the utilization of resources, the officials said.

A total of 94 minerals have been discovered and verified in Tibet, with the proven reserves of ferrochrome,

copper, boron and corundum taking the lead in the country.

"We are keen to the development of resources and we are also attaching importance to the protection of environment," said Gyaincain Norbu, secretary of the autonomous regional committee of the Communist Party of China, adding that "we will make synchronous arrangements for economic development, urban and rural construction and environment protection."

Another official, from the autonomous region's Linzi Prefecture, said: "We are aware of the far-reaching impact that environment protection will produce on the generations to come and we will never seek for temporary economic development at the expense of environmental deterioration."

The success or failure of Linzi, with 70 percent of the Tibet's forest resources, lies in the development of forests, he noted.

According to the officials, Tibet has established 13 nature reserves covering more than 320,000 sq km. Apart from the laws and regulations enacted by the central government, it has also unveiled a series of regional rules and regulations on environmental protection.

Documents that have been released by the Tibet Autonomous Regional Environment Protection agency show that the Tibet Plateau is one of the few areas in the world that have remained unpolluted.

PRC: Li Peng Discusses Environmental Protection at NPC

OW1403144896 Beijing XINHUA in English
1210 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — Environmental protection is a major issue for China, which should not take the road of development first and pollution control second, as some countries have done, Chinese Premier Li Peng said here today.

"We must leave our future generations a good ecological environment," Li said at a panel discussion of Shandong deputies to the National People's Congress, the country's top legislature, now in session.

"We should not take the old road taken by some countries of developing their economies first and treating pollution later," Li said.

The premier called for strengthened pollution control in township enterprises, which he said have made great contributions to national economic development.

"Decisions should be made to close down some rural enterprises that pollute the environment heavily but have

no prospect of becoming pollution free or largely free through technical revamping," he said.

On agricultural development, Li talked about the country's system of farming.

"Nationwide, we should continue to adhere to the household-based responsibility-contracting farming system," he said.

"But in some areas where productivity is high, a large amount of labor has shifted to industrial production, and rural industries are fairly well developed, people can go for economies of scale with the precondition that participation is on a voluntary basis," he said.

He said this is to increase grain production and raise economic efficiency "through mechanization, scientific application of fertilizers, better irrigation methods and the commercialization of farming."

He called on Shandong, a bread basket of China, to pay greater attention to the use of agrotechniques for production increases.

The premier also took part in a panel discussion of Fujian deputies to the NPC.

He said, "There is an obvious guiding principle in the outline for the ninth five-year plan and long-term development goals for 2010, that is, economic development will continue to take center stage in our work."

The premier said the government's policies towards foreign investors, including those from Taiwan, have not changed.

"We encourage them to further strengthen economic cooperation with us under the principle of equality and mutual benefit," he said.

CPPCC

PRC: Li Ruihuan Speech to Hong Kong, Macao
CPPCC Members

HK1503091296 Hong Kong TA KUNG PAO
in Chinese 12 Mar 96 p a6

[Dispatch: "Text of Li Ruihuan's Speech at Forum for CPPCC Members From Hong Kong, Macao"]

[PTS Translated Text for FBIS] Beijing, 12 Mar (TA KUNG PAO)—It has been the usual practice every year for several vice chairmen of the Chinese People's Political Consultative Conference [CPPCC], including Ye Xuanping and me, to call on all members present here during the "two sessions" every year, and this year is already the fourth time. At previous discussion meet-

ings, members here talked about many new situations and aired many good views concerning China's resumption of sovereignty over Hong Kong and Macao. I have enjoyed the great benefit of your views. Meanwhile, I would also like to take this opportunity to express my own opinions, so that we can draw on each other's experience. I remember that I put forward three views at a discussion meeting last year: 1) China's resumption of sovereignty over Hong Kong is a major event which will add an illustrious page to the annals of the Chinese nation; 2) whether we can run Hong Kong well has a great bearing on the image of the Chinese nation in the world; and 3) to make a success of every preparation for Hong Kong's return, we need to pay closer attention to the work, handle it with the best of care, be more united, and adopt a more practical and realistic approach toward the work. A year has passed since then, and upon our review of the past year's work in retrospect, we can see that these views still remain correct and important. At that meeting, I also expressed an idea: One is unable to understand immediately what he has just sensed, and only through a thorough understanding can he gain a more profound perception. I also cited a story of an old lady selling her antique teapot, by which I tried to demonstrate the truth that lack of a thorough understanding may lead to lack of political consciousness, and may end up in casting away as harmful things what should be considered valuable from a long-term and overall point of view. These remarks later evoked some controversy. In fact, this idea was first put forward by Chairman Mao. The following are Chairman Mao's original words: "One is unable to understand immediately what he has just sensed, and only through a thorough understanding can he gain a more profound perception. Perception only solves the problem of phenomena; theory alone can solve the problem of essence." He also said: "The genuine task of understanding is to reach the level of thoughts through perceptions, gradually acquire understanding of both inner contradictions and law of objective things, and comprehend the inner relations of this process with another process. This means to reach the understanding of logic. The reason why I have repeatedly stressed the difference between the understanding of logic and perceptual knowledge is that perceptual knowledge deals only with the lopsided, phenomenal, and external links of things, while the understanding of logic represents a big stride forward, which can reach the overall, essential, and inner links of things and can expose the inner relations of the world around it. With the understanding of logic, one can keep informed on the development of the world around him by basing himself on the overall setup and inner relations of the world around him." My original intention is to encourage all of you to make greater ef-

forts in conducting thoroughgoing studies as advocated by Chairman Mao, so as to "discard the dross and select the essential, eliminate the false and retain the true, and proceed from the one to the other and from the outside to the inside." We would rather handle simple matters with an approach designed for complicated matters than the other way around. This is our historical experience, which is also known as "preparing for the worst and striving for the best." It is normal, and also allowable, that people had different understandings and views on my remarks. At the CPPCC meetings, every CPPCC member has the right to express this or that view, and also enjoys the right to agree or disagree with the opinions of others. Chairman Mao once said that one of the CPPCC's tasks is to put forward opinions. Comrade Deng Xiaoping has also noted: The CPPCC is an important organization which aims at carrying forward the people's democracy and establishing ties among the masses of people from all circles. We should encourage the free airing of views, open broad avenues to able people, and uphold the "doctrine of three nots," namely, do not seize on others' faults and blow them up, do not put labels on others, and do not use the big stick; so that the opinions, demands, criticisms, and suggestions given by all sides can be fully reflected. Comrade Jiang Zemin also pointed out on the day before yesterday when attending the discussion of the Anhui delegation to the NPC: "We shall practice a socialist democracy with Chinese characteristics, not the parliamentarism of the West. Before the leadership makes final policy decisions, people should be encouraged to fully express their views. These include different opinions of all kinds, even opposite opinions." "In a big country such as ours and under such a complicated situation, it takes some time for people to acquire understanding on things. This requires that we carefully heed the opinions of all sides and conduct repeated and thoroughgoing investigations and studies on major and complicated issues, such as the return of Hong Kong and Macao. It is a good thing that more people are concerned with and more comments are heard on the matter. By encouraging people to air their wishes freely and fully, we can do a better job in arousing the enthusiasm of more people, pool the wisdom of more people, and make a success of our work. Just as Chairman Mao once said, the heavens will not fall even if we allow people to speak their minds, otherwise the heavens will surely fall sooner or later. These can be counted as my opening remarks. [no endquote as published]

The Program on Formulation of the Ninth Five-Year Plan for National Economic and Social Development and Long-Term Target for the Year 2010, which is under discussion during the present "two sessions," is of great significance to the immediate interests of the

people of the whole country, including our compatriots in Hong Kong and Macao. According to the principle of "one country, two systems," this program excludes Hong Kong and Macao in many aspects; yet it is also closely linked with the existence and the future of Hong Kong and Macao. Take Hong Kong for example. Since the beginning of China's reform and opening up, Hong Kong has served as a bridge linking China's mainland with the outside world, giving great impetus to both the economic development of the mainland and the establishment of the country's overall arrangement for opening up. Speaking of trade, Hong Kong serves as a major transit center for China's foreign trade. Statistics have showed that one-third of the mainland's total annual export volume comes from transit trade in Hong Kong; while the country's transit volume of home-made products via Hong Kong has increased from 3.73 billion Hong Kong dollars in 1978 to 868.6 billion and 984.3 billion Hong Kong dollars in 1994 and 1995 respectively, accounting for 88 percent of Hong Kong's total transit volume. Meanwhile, Hong Kong also occupies an important position in cross-strait economic and trade cooperation. In 1994, the total volume of commodities transitted via Hong Kong by both sides of the Taiwan Strait exceeded \$20 billion, making up more than three-fourths of the total volume of cross-strait indirect trade. In the financial and monetary fields, Hong Kong has directed large amounts of foreign investment to the mainland. During the period from 1979 to 1994, Hong Kong businessmen set up 139,000 enterprises of various kinds on the mainland, and the actual investment involved stood at \$60 billion, accounting for over 60 percent of the total number of foreign-invested projects and the total amount of direct foreign investment. By the end of 1995, 17 major state-owned large and medium enterprises had listed on the Hong Kong stock market; with the number of shares standing at about 9.73 billion, the total market price of their shares had amounted to 73.578 billion Hong Kong dollars. There are too many such figures to recount. It can be said for certain that during the process when the Chinese people are realizing the country's grand cross-century blueprint, Hong Kong will continue to play a very important role, a role that is irreplaceable by other places. As a special administrative region of China, Hong Kong will surely make new and greater contributions to the rejuvenation of our nation. Meanwhile, the mainland's implementation of the Program of the Ninth Five-Year Plan and Long-Term Target for the Year 2010 will also provide Hong Kong with rare opportunities for further development. First, Hong Kong people have set up a large number of enterprises on the mainland, and the development of the mainland will thus include

these enterprises. Second, during the process of its future development, the mainland will inevitably have greater demand for Hong Kong in such fields as capital, trade, and technology. Third, thanks to the favorable views of the whole world on China's future market, Hong Kong, as a major channel for entering China's domestic market, will inevitably attract greater international attention; nowadays, foreigners need to seek help for their entry into China's market. Whom will they go to? The most suitable choice is people in Hong Kong. Fourth, alongside its economic growth, the mainland will inject a greater amount of capital into Hong Kong in various forms; some people now say that the return of Hong Kong to its motherland will lead to withdrawal of foreign investment from Hong Kong. This prediction seems inaccurate today, and foreign investment may not necessarily be taken out of Hong Kong. Some may withdraw their investment, yet upon calm observation for a certain period time, they may move back again. One thing we can say for sure, though, is that China will inject more capital into Hong Kong during the future development process. Fifth, during their long-term cooperation with the mainland, Hong Kong people have established numerous relations on the mainland and accumulated rich experience in doing business with mainland people; and on this basis, the exchange and cooperation between Hong Kong and the mainland is bound to become more convenient and efficient after 1997. Over the past 17 years, Hong Kong has attained considerable development by seizing the opportunity of the mainland's reform and opening up; and during the coming 15 years, Hong Kong should, and can, promote its prosperity to a higher level by seizing the opportunity of the mainland's fulfillment of its cross-century blueprint. This is my deduction: Hong Kong does not need to be pessimistic about the coming 15 years, for China's development will surely provide you with more opportunities to show your capabilities. Our compatriots in Hong Kong should seize these opportunities to make contributions to the motherland, and develop themselves at the same time. Of course, opportunities do not mean reality; to turn favorable conditions into realistic wealth, people involved should display their courage and insight and put in a lot of hard work. It has been our consistent hope that more opportunities can be seized by our own compatriots, and we certainly will continue providing more conveniences and guarantees for the future development of Hong Kong compatriots. I agree with the suggestions and views on the future investment orientation which were put forward just now by many present here, and I believe that there is plenty of scope for your talents and abilities on the future mainland. Areas inhabited by minority nationalities occupy 60 percent of China's territory, and

they need to develop their economy with the assistance of other areas. There is great potential in this regard.

Here, we are talking about the issue of how to select suitable projects for future development. Project selection should be based on mutual benefits and mutual needs, which means their advantages and needs are also your advantages and needs. This is not simply a move to aid the poor, but one aimed at assisting relevant localities to promote their economic development. Through the process of offering assistance, you can also attain greater development. In my opinion, only such a mechanism can be considered stable, long-range, and reliable.

Take the case of Xinjiang, which covers an area of 1.66 million square kilometers. I made a remark during my visit to Xinjiang a few years ago: One will not be aware of the vastness of China until he sees Xinjiang. Of Xinjiang's vast area of 1.66 million square kilometers, which makes up one-sixth of China's territory, only some 60,000 square kilometers have been explored and put into actual utilization so far, while the larger part of Xinjiang still remains untamed. Xinjiang differs from Tibet and Qinghai in many ways. For example, it has a lower elevation, enjoys a longer duration of sunshine, and is less cold than Tibet and Qinghai. Before I visited Xinjiang, I thought the place was a water-deficient area, for water deficiency has long been the problem plaguing the development of China's northwestern region. During my eight-day visit there, I concluded, upon my observation and investigation, that Xinjiang is not deficient in water. With a usable volume of both groundwater and underground water totaling 117 billion cubic meters, Xinjiang has water resources that are twice as much as the total annual water flow of the Huang He, which stands at 50 billion cubic meters. The problem here is how to explore and put into actual utilization all these water resources.

Meanwhile, Xinjiang also ranks first in the country in a number of mineral resources. Some friends present here are engaged in the textile industry, and we all know Xinjiang's cotton is the best. Can Xinjiang produce more cotton? The answer is affirmative if it has water; once it has water and flatland as well as the facilities to irrigate the fields, Xinjiang can boost its cotton output to 200 jin in one year, a much higher output than that of the country's inner areas. However, diversion works need to be carried out to draw or channel water from other parts of Xinjiang. If people can integrate water diversion works with cotton plantation, establishment of cotton mills, and other foreign investments, they will not only help promote the economy of Xinjiang, but can also find a feasible way to expand and develop themselves.

Another example is the issue of providing sufficient food for our people, which I dwelt on before. Today, the per-capita arable land in China merely stands at over 1 mu, yet the country's population keeps growing. By the year 2000, China's population will total 1.4 billion, and may reach 1.6 billion during peak periods. Therefore, providing sufficient food for our people has been the biggest problem we are now facing. I once put forward a suggestion that all afforested hills below 500 meters be transformed into fields sown to such cash crops as fruit trees. This suggestion is also known as the "hills and mounds plan." Hunan Province has engaged itself in the plan this year. With a total arable area of 47.5 million mu, Hunan will gain an addition of 50 million mu if it can successfully transform all its hills below 300 meters, a figure doubling the total area of its existing farmland. I once called on an individual households in western Hunan. He contracts 400 mu of land, all on hills, to grow fruits, and started with a loan of some 1 million yuan. Today, the hills are covered with flowers and fruits, and his annual income has reached several million yuan. I believe we have a lot to accomplish in such aspects.

In short, I think that Hong Kong compatriots can play a bigger role in the exploration and intensive processing of resources in the western part of China. During the coming 15 years, Hong Kong can, beyond any doubt, give full rein to its role and attain further development at the same time.

One major condition for ensuring a smooth transition and maintaining long-term stability in Hong Kong is to conscientiously study, accurately comprehend, and resolutely implement the Basic Law of the Hong Kong Special Administrative Region [SAR]. In the form of a national law, the Basic Law has laid down a sound foundation for the implementation of the principle of "one country, two systems" after 1997. It is a crystallization of the political wisdom of today's Chinese, an embodiment of the common will of the people both in Hong Kong and on the mainland, and a most authoritative document guiding the solution of all major problems that may crop up in Hong Kong in the future. Only when based on the Basic Law can we attract the attention of the biggest number of Hong Kong people to the preparations for the establishment of the SAR, and can we rely on the strength of the people of the whole country to turn the great conception of "one country, two systems" into glorious reality. Owing to historical and social factors, however, Hong Kong people differ from the mainland people in their way of living, way of thinking, and language habits; and they also have different feelings and understandings on the return of Hong Kong. Some people have the

feeling of returning home, returning to the embrace of their homeland. Yet, others may not have such a feeling. One of my Hong Kong friends once told me that the biggest problem at the present stage is that some people do not have the awareness or feeling of returning to the motherland. To help these people, we should do something to enable them to acquire the feeling, instead of blaming or criticizing them. Such a situation will last for a long time to come. People on the mainland and people in Hong Kong should not attempt to transform each other according to their own criteria. However, they must have the same understanding on the issue of observing the Basic Law, for this serves as a common ground for both. Over the past several years, Hong Kong and the mainland have made great headway in popularizing the Basic Law; however, the problems of insufficient study, shallow understanding, and inaccurate interpretation of the Basic Law still exist with certain people. For example, some people have shown doubts on a number of issues concerning Hong Kong's future, yet such issues have already been clearly explained or defined in principle in the Basic Law. This shows that both Hong Kong and the mainland are faced with an arduous task in popularizing the Basic Law. We should, through the popularization of the Basic Law, promote the mutual understanding of people in the two places, help them achieve common views and understandings, and promote unity, thus creating a sound social and human environment for ensuring Hong Kong's smooth transition and maintaining its stability and prosperity. We should not be equivocal on the issue of acquiring an accurate comprehension of the Basic Law, or allow ourselves to be ordered about. The determination of the central authorities remains unwavering on the issue of implementing the Basic Law and realizing a high degree of autonomy in Hong Kong. Resolving the issue of China's reunification in line with the principle of "one country, two systems" constitutes a major organic component of Deng Xiaoping's theory on building socialism with Chinese characteristics, and is also where the common interests of all Chinese lie, including our compatriots in Taiwan, Hong Kong, and Macao. Whether or not we can successfully realize the principle of "one country, two systems" in Hong Kong after 1997 has a great bearing not only on whether we can consolidate Hong Kong's position as an international financial, trade, shipping, and information center, and whether we can open the country further to the outside world, but also on whether we can win the trust of all sons and daughters of Chinese living abroad who are concerned with the fate of the Chinese nation, thus creating the necessary conditions for ensuring the smooth return of Macao, solving the Taiwan issue by peaceful means, and for attaining the ultimate goal of the

reunification of our motherland. It is precisely because of this that we have urged efforts to handle Hong Kong affairs in strict accordance with the Basic Law. This requirement is meant for the Hong Kong SAR, and more importantly, for the central government [geng shi zhong yang zheng fu di shi 2577 2508 0022 1135 2398 1650 4104 0057]. While urging Hong Kong people to meet the requirement, it is more important that we measure ourselves with the same requirement. I believe that under the guidance of the principle of "one country, two systems," both the Hong Kong people and people on the mainland can undoubtedly unite as one, correctly handle various contradictions and problems that might emerge during the process of Hong Kong's return, and triumphantly fulfill the significant mission entrusted to us by history.

Political & Social

PRC: Opinion Poll Shows Declining Sense of Social Order

HK1503092696 Hong Kong MING PAO in Chinese
6 Mar 96 p C2

[Report by staff reporter: "Poor Social Order Now Focus of Public Concern"]

[PTS Translated Text for FBIS] Mainland urban residents now have a rapidly decreasing sense of security: About 20 percent of urban residents have no sense of security at all; nearly 60 percent have installed alarm systems on their doors or reinforced their windows; over 70 percent are unwilling to disclose their incomes to strangers. An opinion poll conducted by Zero Point, an authoritative survey company on the mainland, showed: Of Beijing, Shanghai, and Guangzhou residents, Shanghai residents have the strongest sense of security whereas Guangzhou residents have the poorest sense of security.

The opinion poll was conducted before the lunar new year. A sample survey of some 1,500 residents living in high-rise residential quarters in six large cities on the mainland revealed: Some 57.9 percent of residents have installed alarm systems on their doors or reinforced their windows. The numbers of residents that have installed security locks and security scopes or security chains on their doors account for 54 percent and 21 percent respectively. Only about 15 percent of residents have not taken any security measures due to their low incomes.

Sources said that the CPC Central Committee and the State Council have acknowledged the problem, about which the public is most concerned. Poor social order has now replaced inflation as public enemy number one on the mainland. About 27 percent of residents on the mainland lack a sense of security, a percentage

higher than last year. The survey also showed that urban residents generally believe that the "floating population" is the root cause of their sense of insecurity.

The opinion poll conducted by Zero Point disclosed that urban residents on the mainland are afraid of their property or even their bodies being harmed. Most urban residents are extremely unwilling to tell their incomes to strangers. Of those surveyed, only 21 percent said that they are willing to tell their incomes to others, and over 20 percent said that they are afraid of going out after dark or being called on by strangers. The mainland public are most concerned about theft and robbery. Of all groups of people, women and people with high and medium incomes are most afraid of being harmed.

The opinion poll showed that some 90 percent of urban residents agreed in varying degrees that the public security and justice departments are capable of checking crimes. However, the residents complained about the small number of police they see and expressed the hope that the police force will be expanded by a large margin. This is why, they said, they have had to buy a sense of security with their own money. As a matter of fact, not only urban residents are badly in need of a sense of security on the mainland. In recent years, rich households in the rural areas on the mainland have also started building high walls and large compounds around their houses. Quite a few upstarts have even hired bodyguards.

*PRC: Centralization of Macroeconomic Control Explained

96CM0147A Beijing QIANXIAN in Chinese 5 Jan 96
No 1, pp 28-29

[Article by Zhang Tai (1728 3141) of the State Council's Research Department: "Why Must Macro Regulation and Control Power Be Centralized?"]

[FBIS Translated Text] To QIANXIAN's Editorial Department:

In studying the Fifth Plenary Session of the 14th Party Central Committee documents, our comrades have launched debates and raised questions on why "macro regulation and control power must be centralized."

1. After more than a decade of reform, we have removed the traditional, highly centralized economic system that stressed administrative orders and have expanded local jurisdictions to mobilize local enthusiasm. Today, "centralized macro regulation and control power" is once again emphasized. Doesn't this contradict our reform goal, which is to set up a socialist market economic system?

2. *What is the practical meaning in emphasizing this point today?*

I would appreciate any article QIANXIAN's Editorial Department can provide which can help us correctly understand this issue.

Wang Zhihong, from Dongcheng District

Dear Comrade Wang Zhihong:

We have turned your letter over to Comrade Zhang Tai of the State Council's Research Department and asked him to answer your question.

QIANXIAN Editorial Department

In his speech delivered at the closing ceremony of the Fifth Plenary Session of the 14th Party Central Committee, General Secretary Jiang Zemin talked about "central and local relationships" and pointed out that "macro regulation and control power must be centralized." This became the basis for delineating macroeconomic management jurisdiction in the new era and for clarifying central and local administrative, financial, and decision-making power.

Macro regulation and control targets all economic activities of national scope. It primarily concerns itself with comprehensive macroeconomic balance and structural adjustments; the determination of tax, monetary, income, exchange rate, industrial, and foreign-related economic policies; and the adjustment of local economic relations. These are important issues that require the central government's comprehensive consideration and planning, and uniformity in policy and effectiveness in implementation must be maintained on a national basis. Only in this way can comprehensive balance and optimal structure and uniformity of the nation's markets be guaranteed to promote the national economy's orderly process and coordinated development. Therefore, macro regulation and control power must be centralized, and the localities must consciously obey, take the overall situation into consideration, and uphold the authoritativeness of the central government's policies. The centralization of macro regulation and control power does not contradict the socialist market economic system. Practical experience in recent years prove that if the national economy is to achieve sustained, speedy, and sound development, we must not only give full play to the market mechanism's fundamental role in allocating resources, but we must also guide the market by strengthening the state's macro regulation and control to achieve the organic integration of market mechanism and macro regulation and control. The purpose of macro regulation and control is also to guarantee the normal functioning of the market mechanism. A modern market economy is one controlled and regulated by the government at the macro

level; there is no completely free market economy. All over the world, regardless of the nature of a country's social system, so long as it has a modern market economy, macro regulation and control is an indispensable organic component of the economic system; the central government must maintain ample macro regulation and control capability. There are no exceptions, regardless of whether it is a free market economy as represented by the United States, or a socialist market economy as represented by Germany, or a government-guided market economy as represented by Japan.

In the past, the macroeconomic management system we implemented was effected at two — central and local — levels. Consequently, while we mobilized local governments' enthusiasm and initiative, we also somewhat decentralized the central government's macro regulation and control power, thus undermining the implementation and effectiveness of macro regulation and control. In regulating and controlling local economic activities, local governments wielded excess power, which led to failure to obey orders, failure to heed prohibitions, overstepping of power, and local protectionism and so on. This resulted in the decentralization of control, regulation power, and measures. Moreover, regulation and control at separate levels gave local governments dual identity in exercising macro regulation and control. They were the controller as well as the controlled. This caused macro regulation and control to be less effective or kept them from achieving the intended goals and results. For example, local governments might make their own rules and policies with local interests in mind; they might be selective about implementing central policies, be less than enthusiastic, or even resist the implementation of the central government's macro regulation and control policies. China is a unified country; it must emphasize and uphold the central government's authoritativeness. All important matters pertaining to reform and development must be decided by the central government. The central government makes correct decisions and formulates policies in the long-term interest of the people of all nationalities. Localities must resolutely comply with all decisions made by the central government; they must not bargain back and forth; they must not cut corners nor bend the law to suit their own purposes.

The centralization of macro regulation and control power does not imply that the localities will lose the power to regulate local economic activities. The key lies in the proper delineation of central and local economic management jurisdiction and the clarification of their respective administrative, financial, and decision-making power. China is a vast country; it has a huge population, and its situation is complicated. If the cen-

tral government must decide everything big and small, it will be overwhelmed and will not be able to do a good job. Therefore, localities must be given the necessary power to be more flexible in suiting measures to local conditions and adjusting to changing conditions to give play to their enthusiasm and creativity in developing their own economy. As General Secretary Jiang Zemin said, "The general principle is to have uniformity to give expression to the interest of the whole, but also to have flexibility under unified guidance to give consideration to local interests; to have centralization to uphold the state's macro regulation and control power, but also to give the localities the necessary power under centralized guidance." Under the guidance of state laws and regulations and the central government's macro regulation and control policies, and on the premise that the unity and authoritativeness of the central government's macro regulation and control are guaranteed and that the state plans will be implemented and the national markets will be unified, local government should — within the scope of jurisdiction empowered by the central government — take local conditions into consideration and suit measures to local needs, devise specific procedure to implement the state's general and specific policies and developmental strategies and plans, guide local economic development, and utilize economic levers to regulate local economic activities within the regional scope. When the central government formulates policies, it should also give every consideration to local characteristics and interests, pay attention to differences in local conditions, and leave room and scope for the localities to exercise the necessary authority.

To uphold the central government's authoritativeness and strengthen the state's macro regulation and control, it must be backed by ample financial strength. In order to provide the material guarantee for achieving the state's macro regulation and control goals, a relatively urgent task is to vitalize the state's finances and build up the government's real strength. As the national economy develops, we must not only basically eliminate the financial deficits and control the scope of debts, we must also increase the central government's revenues as a share of the GNP and its income as a share of the national income. In China, the central government's financial power has always been relatively weak. In 1991, the central government's revenues as a share of state revenues was 17.21 percentage points below that in 1981. In 1992, the central government's income (after deducting income refunded to the localities) was about 36.5 percent of the national income. In 1994, after the implementation of the classified tax system, although income at the central level increased somewhat, after deducting the portion refunded to the localities, central income actually declined, accounting for only 29.2 percent of the

national income. Such lack of financial power at the central level weakens the central government's means of financial regulation and control. Meanwhile, we must control the volume of monetary credit and pace currency issuance to the rate of economic growth. In addition, we must perfect the macro regulation and control system and set up a macro regulation and control mechanism that coordinates and restricts planning, finance, and banking and which comprehensively coordinates the macroeconomic policies and correctly utilizes the economic levers. In addition, we must follow the principle of streamlining, unification, and efficiency to further restructure and modify government organs, actively change the government's functions, and truly separate government and enterprises. Duties that should not be performed by the government should be gradually handed over to enterprises, the market, and intermediaries so the government can concentrate its energy to better perform its macro control and regulation functions.

PRC: Police Arrest 20 Heroin Dealers in Shanghai
OW1403135696 Beijing ZHONGGUO XINWEN SHE
in English 0325 GMT 14 Mar 96

[FBIS Transcribed Text] Shanghai, March 14 (CNS) — Shanghai's railway police arrested 20 drug dealers from whom 30.5 grams of heroin and RMB [Renminbi] 100,000 were seized on March 11th.

On the morning of March 11, railway police officers spotted two suspicious-looking youths in the station's hall. When stopped and searched, the police found a small quantity of heroin on one of the men. Both were detained for further questioning.

They said that their leader had told them to look for potential customers at the railway station. They further revealed the whereabouts of 18 other members of the gang.

Later the same day, police arrested these others and seized 30.5 grams of heroin, four mobile phones, 17 radio pagers and RMB 100,000 in cash.

Science & Technology

PRC: Ministries Cooperate on Telecommunications Policy
OW0903075796 Beijing ZHONGGUO XINWEN SHE
in English 2032 GMT 9 Mar 96

[FBIS Transcribed Text] Beijing, March 9 (CNS) — The Ministries of Electronics Industry and Posts and Telecommunications are jointly formulating policies for the better development of China's telecommunications industry.

Infrastructure construction in telecommunications sector has expanded rapidly in recent years and the telecommunications market is broad. However, the domestic telecommunications industry is relatively backward. As a result the market is largely cornered by foreign companies, especially as regards mobile phones where foreign companies hold a 95 percent share. The formulation of telecommunications policies is set to provide the domestic telecommunications industry with healthy development and also place it under legal protection.

The policies will cover technological and economic measures for the development, provisions respecting telecommunications equipment and organizations, investment and financing practices, the use of foreign capital, import and export administration, introduction of technology from abroad, localisation of telecommunications production and the administration of telecommunications operators by relevant departments.

PRC: Shenzhen Plans Multimedia Information Network

*HK1503005996 Hong Kong TA KUNG PAO
in Chinese 28 Feb 96 p a4*

[Report: "National Hi-Tech Project To Be Implemented in Shenzhen"]

[PTS Translated Text for FBIS] A decision was jointly made by the State Science and Technology Commission, the Ministry of Electronics Industry, the Ministry of Radio, Film, and Television, and the Ministry of Posts and Telecommunications at a meeting on 13 February on a project, called the "small experimental area for high-speed telecommunications and multimedia information network" (HFC) [given in English], which represents a national-level science and technological standard, which will be built in Shenzhen, and will be organized and implemented by the Shenzhen city information building commission.

The HFC is one of the 863 important hi-tech projects in the national plan, and will play an important exemplary role in building the national "information superhighway." The 863 hi-tech projects are in China's strategic plan to catch up with the world's advanced science and technological level, a plan determined and approved by the State Council leadership; it is also an important component in the implementation of the strategy of "reinvigorating the country with science and technology."

The HFC project in Shenzhen, to be implemented by the four ministries and commission, will turn Shenzhen into an important experimental city in information network building. It is of practical and far-reaching significance in accelerating Shenzhen's information network build-

ing, promoting a second pioneering, and further giving play to its experimental role of a special economic zone.

According to briefings by leaders and experts of the city information commission office information, implementation of the HFC in Shenzhen will doubtlessly bring along and help promote Shenzhen's building of the information 418 project, and lay a solid foundation for Shenzhen's information network building converging with the national "information superhighway."

It was disclosed that the Ministry of Electronics Industry has recently agreed to set up the undersea international fiber cable connecting the bureau in Shenzhen; this will enable Shenzhen's information network building to increase its international incoming and outgoing channel, and serve as another important symbol for Shenzhen to build itself into an international city.

PRC: Researchers Develop High-Speed Railway Switch

*OW1403021096 Beijing XINHUA in English
0118 GMT 14 Mar 96*

[FBIS Transcribed Text] Xian, March 14 (XINHUA) — China's railway department has succeeded in developing a new railway switch that can remarkably improve the speed of trains.

The new switch allows trains to travel as fast as 160 km per hour. The present speed of Chinese trains is 60 to 80 kmh. The lifespan of the switch is also twice that of the ones in common use on the Chinese railway lines.

The switch was developed jointly by several research institutions of the Ministry of Railways and manufactured by the Baoji Bridge Plant in Shaanxi Province, in northwest China.

Experts say that the new switch is as technologically advanced as those used elsewhere in the world in the 1990s and is of critical importance to the department's plan to boost the speed of trains on China's major railway lines in the next five years.

PRC: Research Team Makes Turbine Technology Breakthrough

*OW1503030696 Beijing XINHUA in English
0223 GMT 15 Mar 96*

[FBIS Transcribed Text] Shanghai, March 15 (XINHUA) — China has edged into the realm of the world's most advanced countries in terms of technology for the development of power-generating turbines.

It follows the completion of a research project on developing long vanes, a key element of turbines.

More than 100 Chinese scientists were involved in the research.

The research team, made up of experts from the Shanghai Design Institute of Power-generating Equipment and many other relevant institutions, took five years to hatch out key technologies in designing and manufacturing the 905-mm long vanes for turbines with a capacity of 300,000 and 600,000 kilowatts.

Long vanes, which determine the power capacity, and efficiency of the turbines, have long been major targets in developing technology for power-generating units, said Qian Yibo, senior engineer with the Shanghai Turbine Plant.

The research of long vanes, viewed as a representation of a country's industrial strength, involved the use of latest technological and scientific achievements in areas of computer technology, high-speed air mechanics, vibration strength theory, supersonic jet-operations and its stress test, massive forge technology and digital-control techniques.

Experts said that production and application of the 905-mm long vanes evoked huge economic and social benefits. Use of a 905-mm long vane helps increase the value of a 300,000-kw turbine by 3.25 million yuan (about 400,000 US dollars) and it saves energy.

Already used in a number of power plants in China, the long vanes have a great market potential. So far, 40 orders have been placed for turbines with 905-mm long vanes, with a total contractual value of three billion yuan.

Military & Public Security

PRC: 'Military Source': CMC Meets, No Decision To Attack Taiwan

HK1403072896 Hong Kong SING TAO JIH PAO
in Chinese 14 Mar 96 p A5

[By special correspondent Chen Chiu (7115 1432): "Enlarged Meeting of Central Military Commission Defines Aim of Military Exercises as Conveying Warning. No Discussion of Use of Force"]

[PTS Translated Text for FBIS] The Central Military Commission [CMC] held an enlarged meeting from 5 to 9 March to study the situation in the Taiwan Strait and the measures to be taken. The meeting defined the aim of the military exercises conducted by the People's Liberation Army [PLA] this month as deterring the "Taiwan independence" forces and warning foreign forces against getting involved in the Taiwan issue, which is China's internal affair. The meeting did not make any decision on attacking Taiwan.

According to a military source, in addition to the nine CMC members, the five-day enlarged meeting was also attended by the heads of all general departments and the commanders and political commissars of all arms and services.

Zhang Wannian, vice chairman of the CMC and director of the PLA Headquarters for Operations Against Taiwan, and Deputy Chief of Staff Xiong Guangkai made separate reports on deployments for the large-scale military exercises being conducted this month, international reaction, and the latest situation in the Taiwan Strait.

The meeting defined the principal aim of the large-scale military exercises as showing all countries in the world that the Taiwan issue is China's internal affair brooking no intervention by foreign forces. Moreover, puncturing the arrogance of the "Taiwan independence" forces and harassing the smooth operation of the presidential elections are also things the planners hoped for.

It is learned that the meeting deliberated in detail on the exercise plans and the various operational options for attacking Taiwan's outlying islands but did not discuss the question of attacking Taiwan Island itself.

The meeting also discussed possible developments that might emerge in the course of the exercises. The first was "accidental firing while cleaning the gun" and the second was U.S. involvement. The participants were most concerned about the question of "accidental firing while cleaning the gun," because once it occurred, there might be various unexpected developments. Therefore, every effort should be made to avoid "accidental firing while cleaning the gun." Moreover, full preparations should be made to prevent accidents. The PLA has assembled massive forces on the coast of Fujian, of which a considerable portion are making backup preparations to prevent explosive incidents.

The military source said: Those calling for the solution of the Taiwan issue by force are mostly up-and-coming generals and middle-ranking officers. According to these people, the PLA's present level of equipment is lower than that of Taiwan but its quantity far outstrips the other party. Therefore, the Taiwan troops will not be able to withstand ripple attacks [lun fan gong ji 6544 3972 2396 2345] in quick succession. In their view, this is the best time for resolving the Taiwan issue.

But their opponents stressed that the military option is not quite certain of success and would tend to dampen morale in implementation.

The source said: As long as the United States does not get involved in the Taiwan Strait crisis and does not heat up the strained situation on both shores, it is not the case that a war may break out at any moment.

In another development, according to THE NEW YORK TIMES, while live ammunition exercises started in the Taiwan Strait the day before yesterday [12 March], a Beijing official privately told the United States through a reliable channel that Beijing will never invade Taiwan. A source said that Beijing will not invade Taiwan either now or later. The report stressed that although the United States has consistently denounced communist China's military threats as reckless and irresponsible, they have always believed that the current crisis will not lead to military confrontation between the parties, and communist China's officials agree with this view.

PRC: Exercise Has 'Significant Role' for Future
HK1503095596 Hong Kong WEN WEI PO in Chinese
14 Mar 96 p a8

["Forum" column article by Hsieh Ying (6200 7751):
"Solemn and Just Stand of Chinese People and Army"]

[PTS Translated Text for FBIS] After being authorized to make an announcement on 5 March that the People's Liberation Army (PLA) would conduct surface-to-surface missile-firing exercises at two sea areas in the north and south near Taiwan from 8 to 13 March, the XINHUA News Agency was again authorized to announce on 9 March that the PLA would conduct a sea and air live-ammunition exercise from 12 to 20 March in the waters and air space of an area connecting four points. A military observer pointed out: This is a simulated regional exercise. The declared area in which the live-ammunition exercise is being carried out is a diamond-shaped area of sea covering some 17,000 square km. If it is enlarged by 100 percent, it is like Taiwan Island in shape. This simulated exercise reportedly has a very significant role in clinching victories at the smallest cost in future coordinated operations.

Aside from strong reactions from Taiwan, all sides in Hong Kong and the international community have paid great attention to the matter, and there have been many comments on it over consecutive days. The PLA missile-firing and live-ammunition exercises are military exercises of great significance, targeting foreign forces interfering in China's reunification cause as well as Taiwan independence elements inside Taiwan; they demonstrate the solemn and just stance of the Chinese people and the Chinese Army in defending state sovereignty and territorial integrity; and therefore they have won the resolute support of patriotic compatriots and the masses of Chinese at home and overseas. There are some people in Hong Kong who have questioned the exercises, and others who have lashed out at them; however, they are just a small number. They say they oppose "intimidation by force," and "military threats"; and they make statements in the form of advertisements,

or go on hunger strike and demonstrations. But did those people ever oppose Taiwan independence and foreign armed intimidation and threats against China's cause of peaceful reunification? Did those people not openly advocate Taiwan independence during their visits to Taiwan, and constantly deliver speeches to support the West's interference in China's internal affairs, westernization, and the disintegration of China? Hong Kong people will not be confused by them, and will surely take the same patriotic solemn and just stance as their compatriots in China and the people's Army.

Interference in China's Cause of Reunification Is Not Allowed

It was reported that when the U.S. secretary of state, the secretary of defense, and the White House national security counsel talked with Liu Huaqiu, director of the Chinese State Council Office of Foreign Affairs, they expressed the clear and uncompromising stance of the United States, believing Beijing's missile-firing tests in the Taiwan Strait to be an "irresponsible" and "rash" action. This clearly reveals, without disguise, the U.S. attempt to interfere in China's reunification cause, and impede the historic progress of China's reunification.

The United States has already taken action. According to a 9 March ASSOCIATED PRESS report, the USS Independence was active in an area about 320 km northeast of Taiwan, and the guided-missile cruiser Bunker Hill, which is equipped with the "Zeus Shield" arms system and a variety of radar that can track a missile's flight path, was facing south Taiwan. The guided-missile destroyer O'Brien and the air force RC-135 "Rivet" electronic scout was also participating in the activity. The United States has stretched out its arms very far, to all corners of the world. Now the United States is reaching out its arms to China's Taiwan region; it wants to continue to play the world policeman.

Nevertheless, the United States should maintain its sobriety, and refrain from repeating its rash interference in China's War of Liberation in the late 1940's, or in the Korean war in the early 1950's, offering money and arms, or directly sending its troops. The United States was helpless in dealing with Somalia. Now it wants to play a game in Asia, to show off in the presence of an expert; will it not be too rash, and too irresponsible?

In respect of this action of the United States, the Taiwan authorities stated: "This action of the United States has demonstrated that the world is paying great attention to the situation in the Taiwan Strait." At the same time, some people in Taiwan are busy begging for foreign interference, while opening the door to a dangerous foe. In Hong Kong, someone said: "What is more worrying

is the possibility of causing the United States and Japan to seek to interfere," and added that "perhaps it is out of their good intentions of mediating the dispute across the Taiwan Strait." A fundamental error of such remarks is that they totally forget state sovereignty and territorial integrity, that out of the dignity of the state, no foreign country is allowed to interfere in China's problems, and the basic principles of international law. Such persons are suspected of allowing a foreign country to determine the fate of China and the Chinese people, and have nothing in common with the patriotic tradition of the Chinese nation that has such a long history.

Qian Qichen, vice premier and foreign minister, correctly pointed out on 8 March: The main obstacle to the Taiwan issue is that internationally there are foreign forces that do not want to see China's reunification and that have interfered in China's internal affairs, and forces on Taiwan Island seeking independence. Only by adopting resolute measures can we stop foreign forces and the Taiwan independence forces from expanding and remove the obstacles to the great cause of reunification of the motherland. He made one point which I believe is a correct principle of policy: "Those who are opposed to China's splitting and who are against foreign forces interfering in China's internal affairs are people that we should unite with. We are resolutely against those who attempt to rely on foreign forces to split the motherland. We will not tolerate a change in the status of Taiwan, which is part of China."

Attainment of Complete Reunification of the Motherland

Some people have underestimated the significance of the current PLA military exercises (the Taiwan authorities have wantonly tried to belittle their significance). Viewed politically or militarily, the exercises are of great significance. Politically, the exercises manifest the resolute stance of the 1.2 billion people and the people's Army in opposing interference in China's internal affairs by foreign forces and attempts to pursue "Taiwan independence." Militarily, they indicate that China has sufficient military strength to unify the country by force when necessary. In a word, we can sum it up with the remarks by Li Peng in his report delivered on 5 March: "The Chinese Government and people have the determination and ability to safeguard the country's sovereignty and territorial integrity; we will never allow Taiwan to split from the motherland; and attempts to split from the motherland will never succeed."

Some people have underestimated the military strength of the PLA and its determination to realize complete reunification of the motherland. China's overall military strength is not yet very powerful and its overall military

technology still lags behind that of the West. In partial tactical weapons [ju bu zhan lue wu qi 1444 6752 2069 3972 2976 0892], however, China has the most sophisticated weapons in the world. China, which loves peace, will never take the initiative to launch a world war. However, it has sufficient military means to defend the territorial integrity of the motherland and stop Taiwan from splitting from the motherland. Chi Haotian, vice chairman of the Central Military Commission and defense minister, stressed recently that China should be ready to adopt peaceful as well as nonpeaceful means to realize its unification. He quoted General Commander Zhu De to express the determination of the Army's officers and men: "The historic humiliation of the Chinese people continues unless Taiwan is liberated; and the responsibility of the people's armed forces cannot be regarded as accomplished unless the motherland is reunified."

Some people in Hong Kong used the term "threaten" some time ago to belittle the significance of the PLA military exercises. Recently, an increasing number of people have realized the importance of the Taiwan issue and have understood the urgency of the great cause of reunification of the motherland. They have also witnessed the firm determination and unanimous position of the 1.2 billion compatriots at home on the Taiwan question as well as the determination of the people's Army. Premier Li Peng said in his report: "We enthusiastically call on all Chinese, including the Taiwan compatriots, to join hands and make efforts for the realization of complete reunification of the motherland at an early date!" As Hong Kong people, we have a special role and fine conditions for contributing to the return of Hong Kong and to the complete reunification of the motherland. Let us make unremitting efforts to attain this goal.

PRC: More Warships Said Assembling Near Dongshan Island

HK1503050696 Hong Kong SING TAO JIH PAO in Chinese 15 Mar 96 p A4

["Consolidated report" from Hong Kong and Taiwan by reporters Cheng Po (6774 0130) and Chou Yuchu (0719 3768 3796): "Large Number of Warships Suddenly Assemble Off Dongshan Island"]

[PTS Translated Excerpt for FBIS] Despite repeated reports that mainland troops might possibly attack and occupy Taiwan's outlying islands during the ongoing war games, Taiwan President Li Teng-hui together with other important Taiwan government and party leaders yesterday made their way to Penghu [Pescadore Islands], which are nearest to the mainland exercise

zone, to bring greetings and gifts to local army units and to canvass votes. The visiting leaders made separate strongly worded open statements, saying Taiwan is an "unsinkable aircraft carrier," and calling on local people not to be frightened by the mainland exercises. In the meantime, the mainland military continued to conduct sea and air live-fire military drills off Dongshan Island for the third day, with the warships involved increasing threefold [san bei] over the previous day and the exercise zone extended to the Fuzhou area. [passage omitted]

PRC: Military Observer Cited on Exercise Assault Tactics

*HK1503064796 Hong Kong WEN WEI PO in Chinese
15 Mar 96 p a2*

[Dispatch by WEN WEI PO reporters team from Beijing on 14 March: "Beijing Expert Comments on Three-Dimensional Assault Tactics of Chinese War Games"]

[PTS Translated Text for FBIS] The People's Liberation Army [PLA] has been conducting guided missile launch exercises and sea-air area operations alternately on a large scale. A military observer here held that the PLA is conducting a three-dimensional assault live exercise, with fighting a war of defeating [ji kui zhan 2345 3391 2069] and a war of quick decision [su jue zhan 6643 0414 2069] as the operational guiding principles. The military observer explained that a three-dimensional assault means the kind of military assault that is conducted on land (on the surface of the water and under water) [as published], in the air, from frontal and rear positions, simultaneously or alternately, and characterized by very strong penetration power, with many points under attack and a strong element of surprise. In modern warfare, it is an effective means to defeat one's opponent rapidly.

Since 8 March, the PLA has conducted guided missile launch training in the sea areas close to two important ports in both the southern and northern parts of Taiwan, assuming the blockading of specific targets.

The military observer held that such a blockade, characterized by attacks from the air, can be carried out in cooperation with the actions of follow-up military forces; in combat teamwork, it is a component of three-dimensional assault. With respect to the large-scale PLA sea-air exercises in the East China Sea and the South China Sea, the military observer indicated that for a specific operational object, such sea-air exercises assume the opening of a military passage, the blockading of a large area, the attacking of specific targets, and coordination in the seizure of a particular island.

The Operational Scope of Mainland Fighters Covers the Entire Island of Taiwan

This military observer indicated frankly that the specific target of attack in the PLA exercises is Taiwan independence. Taiwan and the mainland are separated by a strait approximately 150 to 200 km in length. To guarantee the continuous transportation of human resources, arms, equipment and logistical supplies to the front, it is imperative to open a military passage in the strait. Building such a passage calls for a shielding force with absolute dominance in the air and on the sea (under water). More importantly, it calls for the close coordination and cooperation of the Navy. Coordination and cooperation can be achieved through simulation exercises.

Taiwan occupies islands such as Quemoy, Matsu, and Penghu in the strait. It is said that there are forces equivalent to seven infantry divisions stationed on those islands, in addition to a naval base (Penghu Magong Base). The military observer pointed out that in building a maritime military passage, the military strength on those islands is not to be discounted. He held that the air-sea exercises will boast a strategy with a very clear purpose, which can be either blockade or seizure, and which is determined by the scale of the military action.

The military observer indicated that the distance between the mainland coast and Taiwan Island's eastern coast is only 400 km. Calculating on the operational semidiameter, fighters taking off from the mainland can reach any place on Taiwan Island proper.

Will U.S. Aircraft Carriers Lead to Conflict?

He indicated that it is very important to do a good job of selecting the landing point in a frontal operation, and held that the PLA will fully consider this in the series of exercises.

In respect to the factors affecting military actions, the military observer cited the geographical, hydrologic, and weather factors. He said good-humoredly that it is not the typhoon and heavy rain season between May and October. Taiwan's Lien Chan said, "Launching missiles on a rainy day won't work, the flame will die"; only the rain won't come these days. In the strait, it is relatively calm and tranquil this season, and most suitable for crossing the sea. Even if it is stormy weather in autumn and summer, there are advantages and disadvantages for both the offensive and the defensive sides; things should not be lumped together.

With regard to whether or not the USS Nimitz passing through the Taiwan Strait will bring about military conflict, the military observer held that the issue fell into another category and would not comment on that. But

he reminded this reporter that it was only when the PLA announced that the sea-air exercises would conclude on 20 March that the United States made the announcement that the aircraft carrier would pass through the Taiwan Strait the very next day, and the connection between the two is self-explanatory.

PRC: More on Setting Up of Southeast China Theater

HK1503080096 Hong Kong HSIN PAO (HONG KONG ECONOMIC JOURNAL) in Chinese
15 Mar 96 p 16

["Beijing Political Situation" column by Jen Hui-wen (0117 1979 2429) on 13 March 1996 in Beijing: "The Messages China's Military Exercises Send to Taiwan"]

[PTS Translated Text for FBIS] Following the surface-to-surface missile-launching exercises in the East and South China Seas from 8 to 15 March, the Chinese People's Liberation Army (PLA) has again conducted sea and air live-ammunition exercises in the East and South China Seas from 12 to 20 March. Meanwhile, taking advantage of the opportunity that the fourth sessions of the eighth National People's Congress and Chinese People's Political Consultative Conference were held in Beijing in early March, top party, government, and Army leaders denounced through the media the conduct of Li Teng-hui in advocating "Taiwan independence" and of the United States in inciting the "Taiwan independence" forces, which had led to the strained cross-strait relations, and stressed that Beijing would uphold the principle of peaceful reunification but would not renounce the policy decision of using force when necessary to achieve reunification.

Another Simulated Exercise for Attacking Taiwan

What is the purpose of such a mammoth military exercise and public opinion adopting the same approach? To find the truth, it is necessary first to talk about the military exercises.

According to a Beijing source, the sea and air live-ammunition exercise conducted in the Taiwan Strait from 12 March is another large-scale military exercise following the missile-launching exercises starting on 8 March. Stretching from Guangdong's Jinghai in the south to Fujian's Nanding Island in the north, and nearly 200 km in length and nearly 100 km in width, or a 2:1 proportion between length and width, the maneuver area comprises a diamond-shaped area of sea covering some 17,000 square km. If this is enlarged by 100 percent, it is just like Taiwan Island in shape. Therefore, the current exercise is a sea-and-air coordinated training exercise directed at a simulated area approximately half the size

of Taiwan Island. The simulated exercise will have a significant role in clinching victory at the smallest cost in a future coordinated operation.

As this regional exercise involves the sea defense areas of the the East and South China Sea Fleets, as well as the air defense areas of the air force of the Nanjing and Guangzhou Military Regions, the military training actions of these services transcend military regions and fleets. Therefore, the Central Military Commission [CMC] has approved the establishment of a Southeast China Theater Command [dong nan zhan qu zhi hui bu 2639 0589 2069 0575 2172 2264 6752]. The command, consisting of one commander or deputy commander each from the Nanjing Military Region, Guangzhou Military Region, the Air Force, and the East China Sea Fleet and a deputy chief of staff from the General Staff Headquarters, is responsible for commanding military actions transcending military regions and fleets. The CMC calls on the units taking part in the exercise to achieve, under the leadership of the command, "five unified's," i.e. unified understanding, unified ideas, unified policy decisions, unified steps, and unified actions.

A Beijing military expert points out: The ongoing simulated exercise for attacking Taiwan is in fact a deployment on the part of communist China to "defend Taiwan by force." It has taken into account all factors that may affect "defense of Taiwan by force," including intervention by foreign forces and a response from the Taiwan authorities. It shows that for the sake of national reunification Beijing will not hesitate to defend Taiwan by force when necessary.

Beijing Analyzes Causes for Strained Cross-Strait Relations

The source said: Beijing has conducted military exercises in the Taiwan Strait continuously since last July because of the strained cross-strait relations. And the strained cross-strait relations have been caused by Li Teng-hui advocating "Taiwan independence" and creating "two Chinas" or "one China, one Taiwan," as well as the United States' inciting the "Taiwan independence" forces.

Originally, Beijing had always hoped for a peaceful solution of the Taiwan issue. On the eve of the Spring Festival last year, State President Jiang Zemin issued an "eight-point proposal," expressing once again China's desire for peaceful reunification. But Li Teng-hui turned a deaf ear to it. Since his U.S. visit last June, he has gone further down the road of splitting. In fact, his mainland policy is "one country, two entities, a divided country under separate rule, substance first and name later, and

sham reunification but actual independence." He does not match his words with deeds. He "pays lip service to reunification but constantly seek independence in action, overtly talks about reunification but covertly engages in independence." He "overtly pursues peace but covertly seeks confrontation, talks about peace but works for confrontation, outwardly pursues peace but inwardly seeks resistance." In word, he wants to "replace confrontation with communication," but in action, he wants to "replace communication with confrontation." He does not stint money for "communication" with foreign forces in a big way in order to rope them in and deal jointly with the "communist China threat." His behavior is totally different from that of a Chinese, and Beijing, which no longer pins any hopes on him and regards him as an obstacle to the relaxation of cross-strait relations.

Beijing regards U.S. interference as another factor in strained cross-strait relations. In Beijing's view, the United States violated the principles of the three Sino-U.S. Joint Communiqués last year by allowing Li Teng-hui to visit the United States; the United States has violated the "17 August" joint communique by selling large quantities of advanced weapons to Taiwan; both houses of the U.S. Congress recently approved the amendments to the "Taiwan Relations Act" and placed it above the "17 August" communique; and the United States has dispatched aircraft carrier groups to the Taiwan Strait during China's current military exercises. In fact, these erroneous practices, which support and wink at the actions of the Taiwan authorities and Li Teng-hui to split China, are also an important reason for the fluctuations in Sino-U.S. relations.

In the view of a person in Beijing military circles, as long as the Taiwan authorities do not give up their "Taiwan independence" plot and as long as the United States does not give up interfering in China's internal affairs, China will not halt its struggle against them, nor can cross-relations possibly be relaxed.

Li Peng Sends Three Messages to Taiwan

The source added: Among the recent statements on the Taiwan issue made by top Chinese leaders, the two-point pronouncement by Li Peng, the No. 2 figure in communist China and premier of the State Council, merits special attention. First, in his "Government Work Report," Li stressed that China would not commit itself to renouncing the use of force, saying that it is "not directed at Taiwan compatriots" but at foreign interference forces and "Taiwan independence" plots. He also hoped that the Taiwan compatriots would contribute to the realization of China's reunification. Second, in his speech at a forum marking the first

anniversary of the publication of "Jiang's eight-point proposal" on 30 January, Li pointed out: "No matter how the method of choosing Taiwan's leaders changes, the fact that Taiwan is an inalienable part of Chinese territory and its leaders are only leaders of our region of China cannot change." "If someone attempts to cloak his activities of splitting the motherland in so-called legal garb under the pretext of changing the method of producing a leader in Taiwan, his efforts will be totally futile." These pronouncements and the wave after wave of large-scale PLA military exercises are aimed at sending the following messages to Taiwan:

First, Beijing will resolutely safeguard state sovereignty and territorial integrity and will never allow any force to change Taiwan's status as a part of China by any means. The military exercises today are aimed at preventing a situation which may appear tomorrow of Taiwan moving toward independence, and are aimed at preventing the tragedy in which Chinese people on both shores resort to arms on account of a split in the territory. Beijing adheres to the principle of peaceful reunification. If the Taiwan authorities and foreign interference forces should force Beijing to use force, Beijing can only keep them company.

Second, it is hard to change Li Teng-hui's nature of splitting China and overtly pursuing reunification but covertly seeking independence. He is the root of the trouble in the strained cross-strait relations and is an obstacle to peaceful reunification. Beijing is willing to see Taiwan compatriots exercise their democratic rights according to the method of their choice. But if the Taiwan compatriots want to stabilize Taiwan, not only should they not elect the "overt independence" Democratic Progressive Party politicians to power but neither should they elect the "covert independence" Li Teng-hui to power. Otherwise, Taiwan can hardly be tranquil.

Third, in advance of the presidential elections in Taiwan, with Li Teng-hui heading the administration, cross-strait relations have become strained as a result of Li's splittist activities; if, after the elections, Li still heads the administration, cross-strait relations can hardly be relaxed. It is hoped that the Taiwan compatriots will persist in opposing "Taiwan independence" and foreign meddling and force those in power to conduct "three exchanges" with the mainland and then hold peace talks. This the best option for stabilizing Taiwan.

PRC: Impact of Exercise on Fujian Reported

*HK1503100096 Hong Kong MING PAO in Chinese
15 Mar 96 p A1*

[Report: "PLA Troops Are Stationed in Pingtan, Dongshan To Control Southern and Northern Taiwan From Afar"]

[PTS Translated Text for FBIS] As disclosed by a source, most People's Liberation Army units taking part in the ongoing sea-air live-fire exercise off Fujian are stationed in coastal Pingtan and Dongshan. Military analysts said that Pingtan and Dongshan, which face the Taiwan Strait and stand opposite the southern and northern tips of Taiwan at a distance, are places of strategic importance, from which mainland troops can blockade and land on Taiwan.

Pingtan and Dongshan lag behind other localities in Fujian in terms of economic development. Pingtan County ranked last in economic growth in Fujian last year.

At a public gathering in Hong Kong yesterday, Fujian officials acknowledged the war games have had an adverse effect on Fujian's economic development because they call for local support, adding, however, that the adverse effect will be short-lived.

At a public gathering held in Hong Kong yesterday, Li Qingzhou, who is an assistant to the Fujian governor and has acted as spokesman for the Central Office for Taiwan Affairs and for the State Council Taiwan Affairs Office for a long time, appealed to the outside world to accurately interpret the Chinese Government's policy of "peaceful reunification" toward Taiwan. He said Beijing hopes the two sides will move toward reunification peacefully but will not allow the two sides to move toward disunity peacefully. He also hinted that the current struggle against "Taiwan independence" and "secession" initiated by the mainland is unavoidable.

Li Qingzhou, a seasoned CPC official, has acted as spokesman for the Central Office for Taiwan Affairs and the State Council Taiwan Affairs Office for a long time. He was appointed assistant to the Fujian governor 4 September last year. Along with a number of Fujian commission, office, department, bureau, and local officials, Li presided over a meeting in Hong Kong to explain Fujian's Ninth Five-Year Plan.

When asked whether cross-strait relations will move toward relaxation if, after being reelected, Li Teng-hui expresses willingness to negotiate with the mainland on the one-China issue, Li Qingzhou said that the mainland will have to observe him for a period. Li Qingzhou said that no matter who wins Taiwan's presidential election, two facts are "unchangeable," namely, Taiwan

is a province of China and Taiwan's president is the leader of a region of China.

Li also gave an explanation for other aspects of the mainland policy toward Taiwan, an explanation clearly enjoying official endorsement. He said that the one-China principle, as opposed to two Chinas or one China, one Taiwan, serves as the foundation and precondition for cross-strait ties. It must not be misunderstood that the negotiation will result in two Chinas. Cross-strait exchanges and cooperation have been enhanced over the last few years, but pro-independence forces and splittism have clearly gained ground as well. Therefore, the current major struggle against Taiwan independence and separatism is unavoidable. China's military exercises have shown to the outside world the mainland's confidence, capacity, and actual strength in opposing Taiwan independence and secession and resolving the Taiwan issue.

PRC: 2d Artillery Force Completes Missile Launch

*OW1503105896 Beijing XINHUA in English
1017 GMT 15 Mar 96*

[FBIS Transcribed Text] Beijing, March 15 (XINHUA) — The Second Artillery Force (SAF) of the Chinese People's Liberation Army (PLA) has successively completed the surface-to-surface guided missile launch training on the East and South China Sea between March 8 and 15, with all the four missiles hitting the designated target areas.

This was reported in an eye-witness account by correspondents of the "People's Liberation Army Daily" [JIEFANGJUN BAO] and the XINHUA NEWS AGENCY.

The successful training, they said, demonstrates the fine military and political quality of the second artillery force and its ability of acquiring a good command of modern weaponry and technology, especially its defense and fighting capacity under high-tech conditions.

In recent years, the SAF has enhanced its efforts to build a revolutionized, modernized and regular army with steady improvement of its weaponry and production of missiles in serial form. The troop's quick combat capability and the accuracy rate of hitting targets has been raised rapidly.

The No. 3 company of a PLA troop, which had won a class second collective commendation and successively launched missiles on many occasions, undertook the task of first launch.

Milky white missiles were seen deployed, nestled in a mountain range. Officers and men were in full battle array.

In the middle of the night, the command post issued orders of operation. Amid uproarings of launch, came the reports: "The first missile hit the target!" "The second missile hit the target!"...

At the launch sites, Commander Yang Guoliang and Political Commissar Sui Yongju of the Second Artillery Force, who came to visit the exercise forces, told XINHUA that the exercise had been a success.

The exercise has achieved the desired goals in training the armed forces, improving the cadres' organizing and commanding ability, testing the achievements made in scientific research and reforms of training, they said.

In the interview, the two commanding officers stressed that the Second Artillery Force will resolutely implement the guidelines set in President Jiang Zemin's important speech "Continue to Promote the Reunification of the Motherland," resolutely accept the leadership of the Communist Party of China's Central Committee and the Central Military Commission with Jiang Zemin as the core, comprehensively raise the force's defense and combat capability under the conditions of modern technology, especially high technology, and make due contributions in safeguarding national unity and territorial integrity, with a high sense of political responsibility and historical mission.

PRC: XINHUA Announces PLA Missile Launching Training Ends

*OW1503102996 Beijing XINHUA in English
1018 GMT 15 Mar 96*

[FBIS Transcribed Text] Beijing, March 15 (18:00 hours) [1000 GMT] (XINHUA) — XINHUA NEWS AGENCY is authorized to announce that the ground-to-ground missile launching trainings conducted by the Chinese People's Liberation Army (PLA) in the East and South China Seas have ended.

Normal marine and aerial navigation will resume from 18:00 hours, March 15, in and over the sea area formed by a line connected by four points at 25 degrees 13 minutes N and 122 degrees 20 minutes E, 25 degrees 13 minutes N and 122 degrees 40 minutes E, 24 degrees 57 minutes N and 122 degrees 40 minutes E, and 24 degrees 57 minutes N and 122 degrees 20 minutes, and in and over the sea area formed by a line connected by four points at 22 degrees 38 minutes N and 119 degrees 25 minutes E, 22 degrees 38 minutes N and 119 degrees 45 minutes E, 22 degrees 22 minutes N and 119 degrees 45 minutes E, and 22 degrees 22 minutes N and 119 degrees 25 minutes E.

PRC: PLA Joint Exercises in Taiwan Strait Set for 18-25 Mar

*OW1503102296 Beijing XINHUA in English
1017 GMT 15 Mar 96*

[FBIS Transcribed Text] Beijing, March 15 (18:00 hours) [1000 gmt] (XINHUA) — XINHUA NEWS AGENCY is authorized to announce that from March 18 to 25, 1996, the Chinese People's Liberation Army (PLA) will conduct joint ground, naval and air exercises in and over a sea area formed by a line connected by four points at 25 degrees 50 minutes N and 119 degrees 50 minutes E, 25 degrees 32 minutes N and 120 degrees 24 minutes E, 24 degrees 54 minutes N and 119 degrees 56 minutes E, and 25 degrees 12 minutes N and 119 degrees 26 minutes E.

For the sake of safety, the Chinese government requests the governments of relevant countries and the authorities of relevant regions to notify ships and aircraft of their countries and regions not to enter the said sea area and air space during this period.

PRC: AFP Reports Liu Huaqing's Comments on National Defense

*OW1403175296 Hong Kong AFP in English
1452 GMT 14 Mar 96*

[FBIS Transcribed Text] Beijing, March 14 (AFP) — China Thursday [14 March] sought to defuse the worldwide concern aroused by its war games off Taiwan, but Taipei said Chinese forces had in fact stepped up the manoeuvres and even staged their first air drill outside the exercise zone.

Chinese ministers and top military officials came forward to make a series of statements apparently crafted to ease tension with Taiwan and reassure other countries.

Deputy Foreign Minister Tang Jiaxuan, visiting the Philippines, said China's missile tests and military drills off the coast of Taiwan were "not an act of war."

Liu Huaqing, vice chairman of the powerful central military commission, said "China's effort to increase the capabilities of national defense and improve the army's combat efficiency is purely for the sake of defense." "China will neither invade any other countries nor join in the arms race, even when it lays claim to a greater national strength in the future," he said at the National People's Congress annual session here.

Fu Quanyou, chief of the People's Liberation Army (PLA) general staff, was quoted as saying: "China needs not only political and social stability at home, but a

peaceful international environment, especially a stable surrounding environment." Chinese foreign ministry spokesman Shen Guofang went on the offensive, accusing Washington of stoking the tension and triggering a fall in stock markets across Asia by sending two aircraft battle groups to the region.

"What has caused the fluctuation of the stock markets is actually not the military exercises but the U.S. move to send battle groups up there," he said, calling the U.S. action "reckless."

Week-long missile tests are to end Friday, while the live-fire war games, which started Tuesday, are scheduled to continue until three days before Taiwan's first democratic presidential elections on March 23.

The exercises are widely seen as intended to intimidate the island ahead of the polls, which Taiwanese President Lee Teng-hui — whom China accuses of being a covert supporter of independence — is expected to win.

Lee Thursday made a one-day visit to Penghu [Pescadores], a heavily fortified group of outlying islands that lie in the middle of the Taiwan Strait, just 70 kilometers (43 miles) from the exercise zone.

There he made a new appeal for public unity, and predicted he would win a thumping majority in the historic elections. With his new mandate, Taiwan would "upgrade defence capabilities, carry out a pragmatic foreign policy, continue economic development and push for further democratisation," Lee promised.

In Taipei, meanwhile, the Defence Ministry said China raised by half the tally of ships and planes taking part in the war games and for the first time held air manoeuvres outside the 17,000-square-kilometer (10,540-square-mile) box delineated for the exercises.

More than 40 Chinese warships and more than 20 groups of naval warplanes were deployed, compared with more than 30 warplane sorties and more than 10 warships on Wednesday, it said.

"The forces engaged in combined air-sea drills, formation flying, air-to-air missile firing and air-to-surface bombing and shooting exercises," the ministry said.

"These activities were all held within the declared exercise area," it said.

"In addition, the Chinese Communist air force also conducted a drill over Fuzhou," it said, without elaborating.

Fuzhou, the capital of southeastern China's Fujian province, is a coastal city lying 250 kilometers (155 miles) northwest of Taipei and 300 kilometers (183 miles) north of the top edge of the drill zone.

There was no mention in the communique of any encounter or incident between the exercising Chinese units and Taiwan's armed forces.

However, a Taiwanese official told AFP that Taiwan had stepped up military drills and patrols, including air and sea operations in international waters and airspace.

The source described it as part of a pre-combat, but defensive, posture which was intended to show China that the Taiwanese armed forces were fully on the alert in the event of any attack.

The move was ordered on Tuesday, coinciding with the start of the Chinese manoeuvres, and will remain in effect throughout their duration, he said.

On the economic front, Taiwan's stock exchange had a good day, bouncing back 2.1 percent, as buyers returned to the market, impressed with the government's campaign to shore up the bourse. Some investors even believe the worst of the crisis is over, dealers said.

The increase more than wiped out a sharp fall that occurred on Monday, on the eve of the exercises.

China claims Taiwan is a renegade province and maintains a long-standing threat to invade if the island declares independence.

PRC: Mainland's Military Options Against Taiwan Examined

MS1503091296 London THE TIMES in English
15 Mar 96 p 14

[Report by Michael Evans: "China Offensive Cannot Be Ruled Out, Experts Say"]

[FBIS Transcribed Text] China has four military options if it wants to achieve more than just impose psychological pressure on Taiwan with its naval and air manoeuvres, according to Western intelligence sources yesterday.

Although the intelligence assessment is that China will not risk any important military action against Taiwan, some form of offensive operation has not been ruled out by Western agencies, which have been monitoring the Chinese missile firings and air-sea training exercises.

There is also a genuine concern that with the Chinese increasing the hardware and troops involved in the exercise, there is a risk of a misfiring or an accidental launch of a missile that could lead to a military confrontation.

The first option, the sources said, was to develop the seaborne manoeuvres into a naval blockade, sealing off the two main ports to the south and north which, in

the long term, could seriously damage the Taiwanese economy.

One intelligence source said: "The Chinese clearly have the ability to carry out a blockade, using surface ships and submarines, but they have never done it before and there has to be some doubt about whether they could sustain it. A blockade could also provoke a response from the Taiwanese, although they do not have any noticeable antisubmarine capability."

The second option was to launch an amphibious landing on one of the offshore islands in Taiwanese hands.

The intelligence services believe it is more likely the Chinese would use psychological warfare to give the impression they were about to seize one of the islands, rather than carry it out. However, if there was pressure within the Chinese military to achieve at least a token military success against Taiwan, this option could not be dismissed.

The sources said the Chinese would not risk attempting an amphibious landing on one of the heavily fortified islands, in particular Quemoy, which is guarded by 40,000 Taiwanese troops, or Matsu, which has a defence force of 9,000. Two other islands, however, Wuchiu and Tungyin, are less heavily defended and may pose an easier target, the sources said.

However, China is not well equipped to mount an effective amphibious operation at short notice. They would have to anticipate taking heavy casualties. The Chinese have a division of 10,000 to 15,000 amphibious assault troops.

The third option would be to mount a missile attack on key targets in Taiwan. Chinese missiles have sufficient range and they would cause considerable damage. They have already demonstrated that their M9 missiles, fired without explosive warheads from a base in the Nanking military district, have been launched successfully, landing inside the two designated target "boxes" northeast and southwest of Taiwan.

However, missile launches with real warheads could provoke a confrontation with the United States which, by the end of next week, will have two carrier groups in the area.

In Washington, the House of Representatives international relations committee said yesterday that America should help Taiwan to defend itself against any Chinese aggression. It approved a non-binding resolution saying that the United States "should assist in defending [the Taiwan Government and people] against invasion, missile attack or blockade by China". A similar measure has been introduced in the Senate.

The fourth option, a full invasion of Taiwan, is seen as both unrealistic and unrealisable, because of the enormous number of troops necessary. The intelligence sources said China would need between 600,000 and a million troops for an invasion. One source said: "It would be impossible to gather so many troops together without warning signals showing up everywhere. They do not have the sealift or strategic lift to be able to launch such an operation. There would be serious disruption to the economy to get the troops to the ports by rail. An invasion plan would also have to include a long period of bombing to take out the ten Taiwanese air bases."

The intelligence sources said the Chinese would not want to lose face. One source said, however: "The show of military muscle has provoked an international reaction and that may be enough face saved."

PRC: Sichuan CPC Secretary on People's Armed Police

HK1503062296 Beijing JIEFANGJUN BAO
in Chinese 24 Feb 96 p 2

[Article by special Staff Correspondent Wang Weihong (3769 5898 4767): "Perform Duty, Strengthen Implementation—Interview With Xie Shijie, Sichuan Provincial CPC Committee Secretary"; date and place not supplied]

[PTS Translated Text for FBIS] "To step up national defense reserve force building in the new period, local party committees at all levels should help tackle realistic problems facing people's armed police departments and people's militia reserve forces so that people's armed police cadres will work with one heart and one mind and be free from worries." This reporter interviewed the other day Xie Shijie, Sichuan Provincial CPC Committee secretary and Sichuan Provincial Military District CPC Committee first secretary, on how to tackle realistic problems facing the people's armed police departments. As soon as the interview started, the quick-minded and competent Secretary Xie spoke right to the point and on the theme.

Impressed by the way he spoke, I asked him point-blank: "In your view, what should be done to resolve realistic problems facing people's armed police department building?" Secretary Xie was not annoyed by my blunt remarks at all. He answered the question with fervor and assurance, saying: Sichuan is a big agricultural province with a population of over 100 million. We have more than 200 people's armed police departments at the county (county-level city, or city district) level. It is true that the province's people's armed police departments have encountered some realistic problems in

the course of people's armed police and people's militia building. Last year, to learn more about the situation of people's armed police department building, I, together with eight other provincial military district party committee standing committee members, went to inspect a total of 180 people's armed police departments at the county (county-level city, or city district). We held talks with nearly 1,000 people's armed police cadres and inquired about their work. We also worked on the spot and helped them tackle some problems. Furthermore, I have time and again stressed at numerous conferences and meetings that principal party and government leaders at the provincial, prefectural (autonomous prefectural), and county levels should call on and have a look at the people's armed police departments at the county (county-level city, or city district) level when they go deep into the grass-roots level to inspect and guide economic work so as to ensure party leadership over armed police work. To implement instructions issued by the CPC Central Committee on the people's armed police department building, the provincial party committee and people's government have especially set up several organization and leadership institutions, worked out concrete work plans, and called on party committee secretaries at the prefectural (city, or autonomous prefectural) and county (county-level city, or city district) levels to take charge of, assume responsibility for, and firmly grasp the work. The provincial party committee has also decided that all areas should help properly resettle people's armed police cadres at retirement age once and for all and show concern for and help their children find jobs and schools; should as always earmark special funds from the local financial expenditures to support regularization of people's armed police departments; building of people's militia training bases, and building of people's militia arsenals so as to speed up construction of planned projects and projects under construction; and should give unreserved support to people's militia work aimed at supporting people's armed police through participation in local economic construction. They should lighten the financial burdens of the people's armed police departments, implement preferential policies toward the people's armed police departments, and help the people's armed police departments properly settle outstanding debts once and for all.

On how to comprehensively implement the work, Secretary Xie smiled and said: I should take the lead and set a fine example for others in this regard by personally taking charge of the work. I should also take the lead in stressing politics, discussing major issues, and grasping the work. As the provincial party committee secretary and the provincial military district party committee first secretary, I should also try to attend each and every military and local conference on people's armed

police department building; help tackle in a timely fashion problems faced by the people's armed police departments building; pay more visits to the people's armed police departments; and help the people's armed police cadres tide over difficulties and resolve problems. As the principal local official responsible for ensuring party leadership over armed police work, I should take the lead in enforcing the relevant systems, conscientiously coordinate relations between local areas and locally stationed troops, pave the way, build bridges, and create favorable conditions for the people's armed police departments building. To firmly grasp the work, we recently held a provincial people's armed police department work conference attended by officials in charge of more than 10 relevant provincial departments, including organization, personnel, finance, public security, grain, and others. At the conference, we clearly defined responsibilities for and assigned tasks to each and every official concerned with a view to implementing the work to the letter. After the Spring Festival, we also sent work teams to various areas to inspect the work and to ensure that instructions issued by the CPC Central Committee, the State Council, and the Central Military Commission on people's armed police department building are to be implemented to the letter throughout the province.

PRC: Li Peiyao Incident Halts Armed Police Expansion

HK1503062096 Hong Kong MING PAO in Chinese
24 Feb 96 p A6

[Report by special correspondent Wen Er-Hsin (2429 1422 2450): "Li Peiyao Incident Causes Freeze of Armed Police Development"]

[PTS Translated Excerpt for FBIS] According to informed sources in Beijing, as a direct result of the murder of Li Peiyao, vice chairman of the standing committee of the National People's Congress, in his residence, apart from a string of personnel changes in the armed police, as disclosed by the informed sources in Beijing, this incident will have a profound and far-reaching impact on the future development of the armed police. The plan for upgrading the armed police that Jiang Zemin suggested will now be postponed indefinitely. [passage omitted]

It has been disclosed that as the full-scale personnel reshuffle in the armed police was going on, the CPC top echelon decided after some deliberation that the plan to upgrade the top-ranking officer of the armed police force to a rank commensurate with that of the head of a military region (i.e., the rank of general) should be postponed indefinitely. At the moment, the commander of the armed police force has the same

rank as the deputy head of a military region (i.e., lieutenant general). CPC General Secretary Jiang Zemin once suggested upgrading the leadership of the armed police to a rank commensurate with the leadership of a military region, so as to upgrade the status of the armed police force. But this has all along met with objections from the top levels of the military.

Furthermore, the CPC top echelon has also decided to suspend the plan to expand the size of the armed police force and equip it with heavy weaponry, which was originally scheduled for implementation this year. It is learned that the Central Military Commission [CMC] originally decided to downsize regular units by 500,000 to 700,000 and expand the armed police from the current size of 1.3 million to 1.9 million, equipping them with heavy weaponry like tanks and artillery. It is generally believed that this plan was part of Jiang Zemin's plan to reinforce the armed strength directly under his control.

In view of the problems exposed by Li Peiyao's murder, the center has decided that the decisionmaking power regarding personnel appointments and removals at the level of the general corps of the armed police shall rest with the CMC. Formerly, the armed police was authorized to carry out appointments and removals of

commanders and political commissars of general corps and had only to report such personnel actions to the CMC for the record. This means that the personnel authority of the armed police has been revoked.

The full name of the armed police force is "the Chinese People's Armed Police Force." It was founded in April 1983. Initially, it operated as part of the public security community, and the political commissar of its headquarters was the minister of public security. After the 4 June incident in 1989, because the armed police proved to be ineffective, its leadership was completely reorganized and Ba Zhongtan, Jiang Zemin's trusted follower and former commander of Shanghai Garrison, became commander. It was also divorced from the public security community and came under the CMC's leadership. Its size soared to more than 1 million and has since then increased to 1.3 million after years of continuous expansion. Because of Ba Zhongtan's special relationship with Jiang Zemin, though it was under the CMC's jurisdiction, the armed police had relative independence in terms of personnel affairs and deployment and was at Jiang Zemin's beck and call, directly. Some military generals often passed veiled comments of censure on this. [passage omitted]

NPC

PRC: Outlook for State Coal Firms Discussed

*OW1503131496 Beijing ZHONGGUO XINWEN SHE
in English 0322 GMT 15 Mar 96*

[FBIS Transcribed Text] Beijing, March 15 (CNS) — Presently, one third of state owned coal enterprises are in the black at present; others are facing difficulties.

According to a programme set by the Ministry of Coal Industry for the Ninth Five-Year Plan, the state owned coal industry would have to make up losses by the half way stage in the current five year period; and over 60 percent of coal enterprises would have to be producing profits by the year 2000.

Elaborating on the programme, Wang Senhao, Minister for the Coal Industry said that state owned coal mines had to improve the quality and standard of safety on the production line. At the same time they must increase their output and economic results to achieve healthy development in the industry.

The minister noted that by the final year of the present five-year plan (1996-2000), national coal output would reach 1.45 billion tonnes. During the five-year period, state owned mines would produce 175 million tonnes whilst productivity would be increased by 120 million tonnes.

By the turn of the century, output and revenue earned by non coal industries run by state owned coal enterprises would reach RMB [renminbi] 60 billion (HK\$ 55.68 billion). These industrial concerns could, in the next five years, employ 500,000 workers who are presently engaged in the coal industry.

About 35 percent of the scientific and technological achievements specially designed for the coal industry would be introduced by the turn of the century. Mechanisation of coal mining, tunnelling and loading would be extended to 80 percent of operations. By 2000, 100 high yield coal mines would be in operations.

PRC: Ministry Predicts Increased Demand for Autos

*OW1503131596 Beijing ZHONGGUO XINWEN SHE
in English 0350 GMT 15 Mar 96*

[FBIS Transcribed Text] Beijing, March 15 (CNS) — Ministry of Machine Building Industry forecasts that demand for sedans would exceed 400,000 this year, 27 percent up over last year and accounting for 26 percent of total automobile demand in the mainland.

The automobile market is dominated by business vehicles at present. As economic development continues, the demand for sedans will rise.

Meanwhile, the business of car-hire would continue to expand. The desire of individuals to own their own car is insatiable. As a result of all these factors, the market for sedans would enjoy a better performance over last year.

Sources point out that leading motor manufacturers, including Shanghai Volkswagen and Tianjin Automobile Industry Corporation (both of which specialize in sedans) are producing more units while other domestic sedan makers are also increasing their productivity.

It is expected that stiffer competition which will lead to a stabilisation of car prices, and perhaps even a slight drop.

PRC: Analysts Predict Growing Cooperation Between Regions

*OW1503015696 Beijing XINHUA in English
0136 GMT 15 Mar 96*

[FBIS Transcribed Text] Beijing, March 15 (XINHUA) — East China's Jiangsu Province has recently signed with northwest China's Qinghai province a preliminary agreement to jointly develop the latter's resources for making potash fertilizer.

Qinghai's salt lakes contain 97 percent of China's total amount of raw materials for making potash fertilizer.

This is just one result of economic cooperation between east China and the rest of the country.

Inter-regional and inter-provincial cooperation has been given much incentive by a central government strategy aimed at reducing gaps in economic development between China's east coastal areas and its central and western regions.

Analysts here predict that more cooperation projects will be carried out, as the government's policies promoting common development across the nation are becoming popular with officials and people from eastern provinces as well as those from central and western ones.

The central and western regions enjoy great development potentials and provide alluring returns for investors with their rich natural resources, a vast market, and low labor cost. Coastal provinces in the east pride themselves on an abundance of fund, technology, talent, information and quality products, which are all needed by the west.

The two can well complement each other while seeking further economic expansion, analysts say. Jiangsu Province in east China, for example, obtains 90 percent of raw materials it needs from outside the province.

The two regions have already made substantial progress in mutual cooperation.

Xinjiang region, one of China's top cotton producers, for example, has signed long-term agreements with Jiangsu and Shandong provinces to set up cotton production bases on its vast land with labor, technology and information to be provided by the two provinces.

In a recent agreement signed between northeast China's Heilongjiang Province with east China's Jiangsu Province, the latter has promised to invest 150 million yuan for joint development of farming in the former, which still has vast tracts of wasteland to exploit.

In recent years, the five autonomous regions of Inner Mongolia, Ningxia, Xinjiang, Guangxi and Tibet have signed 19,000 economic and technological cooperation contracts with businesses from the rest of the country involving investments from the latter of more than 10 billion yuan.

PRC: Artist Wins Copyright Infringement Lawsuit
OW1503000896 Beijing XINHUA in English
1451 GMT 14 Mar 96

[FBIS Transcribed Text] Shanghai, March 11 (XINHUA) — Wu Guanzhong, a famous Chinese artist who paints in oil, has proved victorious in a two-year lawsuit against Shanghai's Duoyunxuan Company and a Hong Kong auction company for using his copyright.

The two companies auctioned a portrait of the late Chinese leader Mao Zedong, called "Bombard the Headquarters," bearing Wu's signature, in Autumn 1993.

In 1966, Mao wrote a *Daizibao*, or big-character poster entitled "Bombard the Headquarters," marking the beginning of the ten-year cultural revolution that he unleashed.

The picture sold for 528,000 HK dollars, but Wu denied having painted the picture.

Before the auction took place, Wu had warned the companies repeatedly, but they ignored his warnings. As

a result, Wu turned to Shanghai's Intermediate People's Court for help in July, 1994.

The court reached a verdict saying that both of the companies should apologize to Wu publicly in newspapers, and each should pay him 73,000 yuan in damages.

The auctioneers had an additional fine of 50,000 yuan, and Duoyunxuan, of 30,000 yuan, and the money earned by the latter from the picture was seized as well.

The Duoyunxuan company reportedly disagreed with the judgement and filed a suit with the Shanghai Higher People's Court. The appeal was denied Monday [11 March].

***PRC: Center Analyzes 1995 Prices, Forecasts 1996**
96CE0182A Beijing ZHONGGUO WUJIA [PRICES IN CHINA] in Chinese Jan 96 No 1, pp 7-10

[Article by Wang Yuanhong (3769 6678 7703), affiliated with the Price Task Force of the State Information Center's Economic Forecasting Department: "Analysis of 1995 Prices and Forecast for 1996"]

[FBIS Translated Text] I. Analysis of the State of 1995 Market Prices

1. Price Operations and Features

As the state took more forceful regulation and control steps in 1995, inflation declined monthly and gradually neared our macroeconomic regulation and control objective, with the changes being characterized as follows:

A. Our monthly comparative price index that reflects relative price changes declined steadily, while our monthly link-relative price index that reflects real price levels was volatile.

For the first 11 months of 1995, our national retail and consumer price indexes were up respectively from the same period in 1994 by 15.4 percent and 17.7 percent (See Table 1).

Table 1. Unit: %

Month	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov
National Retail Price Rises	21.2	19.7	18.7	18.0	17.6	16.0	14.6	12.3	11.4	10.3	9.2
National Consumer Price Rises	24.1	22.4	21.3	20.7	20.3	18.2	16.7	14.5	13.2	12.1	11.2

In general, while price rises declined monthly, their rate of decline slowed monthly, leaving our price index still high. Our national retail price monthly link-relative index was more volatile, up respectively for the first nine months 3.0 percent, 1.8 percent, 0.0 percent, 0.7 percent, 0.1 percent, -1.2 percent, -1.4 percent, 1.4 percent, and 1.7 percent, or up an accumulated 5.4 percent from the end of 1994. By October and November, our monthly link-relative index was below or the same as preceding months. For our market price trend, our macroeconomic control objective of 15 percent for 1995 should have been reached without much difficulty.

B. While prices still rose more in rural than urban areas, their gap steadily narrowed.

For the first eight months of 1995, while both urban and rural price rises tended to decline, price rises remained higher in rural than urban areas (See Table 2). Table 2 shows that for both retail and consumer price rises, the urban-rural gap narrowed steadily, shrinking from respectively 4.9 points [retail] and 1.2 points [consumer] for January to respectively 2.4 points and 0.4 points by August.

Table 2 .Unit: %

	January	February	March	April	May	June	July	August
Retail Price Rises								
Urban-Rural	19.1	17.5	16.8	16.3	16.1	14.7	13.5	11.3
Rural	24.0	22.6	21.2	20.4	19.7	17.8	16.1	13.7
Consumer Price Rises								
Urban	23.6	21.6	20.6	20.0	19.9	18.0	16.7	14.3
Rural	24.8	23.4	22.2	21.7	20.8	18.5	16.8	14.7

C. Price rises in all provinces and municipalities were higher in western than eastern China.

Looking at regional price changes, eastern China's 1995 prices generally saw a marked decline due to its abundant financial resources and since price reform had started earlier with past price rises generally higher; central and western China saw prices generally decline less due to inadequate financial resources and more price subsidies. Prices were down to below 15 percent for the first 11 months in the 12 provinces and municipalities of Tianjin, Hainan, Guangdong, Beijing, Anhui, Shanghai, Zhejiang, Liaoning, Jilin, Jiangsu, Shandong, and Heilongjiang; the retail price index in these provinces and municipalities were up respectively 10.9 percent, 11.8 percent, 12.2 percent, 12.6 percent, 12.8 percent, 13.0 percent, 14.0 percent, 14.4 percent, 14.6 percent, 14.7 percent, 14.8 percent, and 15.0 percent, lower than the national average rise for the period of 15.4 percent. Fujian Province prices were up 15.2 percent, slightly below the national average.

D. Farm product price rises remained highest.

As to product mix features, the higher 1995 price rises were still mainly for three series of products: grain-based food products, textiles with cotton as the

raw material, and agricultural capital goods focused on chemical fertilizer. Our 1995 grain prices still rose the most for any category of commodity, the major cause of which was that the inverted buying and selling prices at state grain shops increasingly added to the fiscal burden of local governments, some of which raised their grain prices for parity-[fair, bargain]-price supply to cut their losses. In addition, phenomena such as grain purchasing funds not arriving, lax management, certain areas having grain-purchasing problems, and panic-buying by individual commercial operations [small retailers] still occurred, helping to push market grain prices up. But for the first eight months, price rises for such products declined. Taking our aggregate consumer price index for instance, food price rises steadily fell back from 35.7 percent to 17.9 percent, including grain down from 55.6 percent to 26.4 percent; meat, poultry, and their products down from 52.6 percent to 20.8 percent; oil and fat down from 45.6 percent to 4.1 percent; sugar down from 47.7 percent to 29.8 percent; eggs down from 16.8 percent to 10.8 percent; vegetables down from 29.0 percent to 23.3 percent; dried and fresh melon and fruit down from 31.7 percent to 10.4 percent; and milk and milk products down from 40.3 percent to 19.9 percent. And cotton price rises were

down from 51.4 percent to 28.3 percent. This data shows that while the price rises for these products were down considerably, some as much as 20 points, the real price rises for these products remained very high, still having a great impact on our overall prices. For the first six months, our food prices were up 33 percent from the same period in 1994, pushing our national retail prices up 12.7 points, to make up 68.6 percent of overall prices, including price rises of 48.3 percent for grain; 35.6 percent for meat, poultry, and eggs; and 30.8 percent for fresh vegetables. And by August, our food price rises had rebounded sharply, up 3.1 percent from July.

Affected by the flooding in some southern provinces and seasonal factors, market supplies were down, with fresh vegetable and aquatic product prices up. And as to meat, poultry, and eggs, as previous feed prices had remained high, costs went up to cause a decline in output in some areas, resulting in inadequate market input and higher prices.

2. A Factor Analysis of the Decline in Market Price

A. The state pursued moderately tight fiscal and monetary policies, strictly controlling fixed asset investments and project starts, and suitably raising bank lending interest rates, which curbed to a certain extent our too fast investment and consumption growth, to appropriately lower our economic growth rate. We issued markedly less money in 1995, bringing a steady decline to our money supply growth, with a net of 8 billion yuan put into circulation in the first nine months to balance receipts with spending, or 47 billion yuan less than in the same period of 1994. This lesser amount of money put into circulation was due mainly to a decline in wage growth, with more credit withdrawn from circulation. We estimate that less cash was put into circulation in 1995 than in 1994. Meanwhile, our central bank's basic currency was effectively controlled, up 151.2 billion yuan for the first nine months, or 44.9 billion yuan less than for the same period in 1994. As our money supply and basic currency were regulated and controlled effectively, our overheated gross demand was curbed, markedly slowing our economic growth rate to around 10 percent.

In the first eight months, our national fixed asset investment was up 16.8 percent from the same period in 1994, for 27.2 points lower growth, with our project starts growth momentum somewhat slowed, our investment structure further improved, and higher investment growth maintained in our agriculture, shipping, and posts and telecommunications industries. We forecast that our 1995 national fixed asset investment growth rate will be down to around 20 percent, with our invest-

ment scale approaching our macroeconomic regulation and control objective.

B. We reinforced the status of agriculture. In 1995, all areas invested markedly more in agriculture, steadily raising farm output. In addition, the sharp increase in cotton and grain prices stimulated to a certain extent the cultivation initiative of farmers, so that a larger area was sown to grain, our "food basket" base construction was steadily consolidated and improved, and our effective supply of farm products was up markedly. That provided effective grounds for market stability and for keeping farm product prices from rising sharply.

C. Our market regulation and control began to show results. In 1995, to intensify our market regulation and control, governments at all levels took a series of administrative, economic, and legal steps. For instance, we generally established a responsibility system for price-control goals; we set up a system of "two funds and one reserve"; we practiced centralized state pricing and operation for key commodities such as cotton cloth, chemical fertilizer, and crude and refined oil; we brought the dominant role of state commerce into active play in curbing prices; we intensified price control oversight; and we promulgated and put into effect legislation such as the "Consumer Rights Protection Law," the "Provisions on Clearly Marked Prices for Goods and Services," and the "Wholesale Market Management Regulations." These measures played an active role in keeping market prices from rising too quickly.

D. Our consumer mindset was stable, with lower inflationary expectations. While our 1995 price rises approached those of 1988, our consumer market was quite stable, with no panic buying, showing a more mature consumer mindset.

3. Adverse Factors to a Continued Decline in Price Rises

A. Certain local governments raised prices independently to protect local interests, not only adding to the problems of related industries and individual burdens, but also severely interfering with the implementation of price control steps, which made it harder to meet our price control objective for the year. In 1995, a few areas disregarded repeated State Council injunctions, putting into effect without authorization and on a number of pretexts higher fees for public utilities such as power and urban basic grain rations, water, power, and housing and higher prices for cotton purchasing. And after June, certain provinces and municipalities whose price indexes had reached or were below the national control goals also took advantage of the time to put into effect certain price rises, as well as converting "covert" fiscal

subsidies into overt ones, all of which was adverse to a further decline in price rises.

B. Our agricultural capital goods price-rise momentum was strong. In 1995, agricultural capital goods prices rose sharply due to the rise in industrial chemical raw material prices and the pull in the relations between supply and demand. For the first six months, the comparative monthly rise was around 30 percent, for an accumulated rise of 30.5 percent, while the monthly link-relative rise was from 1.3 percent to 5.2 percent, or an accumulated rise of 17.1 percent in the first six months over the end of 1994. This steady sharp rise in the prices of agricultural capital goods offset the success achieved in 1994 through the policy of higher farm product prices, was adverse to the protection of farmer production initiative, and was bound to directly drive up farm product production costs, as well as directly or indirectly driving up the production costs of related industries and the cost of living, to thus drive up wages and prices. So if it is allowed to continue, it will be bound to affect a further decline in price [rises].

C. The turning over of the "rice bag" and "food basket" projects to governors and mayors under current national conditions is very likely to create interregional divisions, blockades, and panic buying of resources. In 1995, certain eastern and coastal regions engaged in panic buying of rice in the northwest and Ningxia, while certain summer grain producing areas also set their own purchasing prices, which pushed grain prices up. With the summer grain purchasing price having reached 0.80 yuan a jin in certain areas, which was hardly endurable for poor province finances, if the same thing occurs for autumn grain, it is bound to affect our price index.

D. In the current regulation and control of market prices, too many administrative means are being used, with too many stopgap measures and not enough permanent cures. While this can bring price rises down in the short term, prices are quite likely to rebound since it does not deal with certain deeper conflicts that are likely to accumulate once administration regulation and control force is eased.

E. As macroeconomic regulation and control is further intensified, microeconomic conflicts grow more glaring, with some state enterprises unable to adapt to macroeconomic change or the new state of market competition, which results in quite glaring underutilization of capacity, stopped production, and semi-stopped production; a further decline in overall enterprise economic efficiency; and steadily growing losses. For the first nine months, budgeted state industrial enterprise losses reached 35 billion yuan, up a comparative 28.4 percent, while earned profits fell 25.1 percent. Cer-

tain provinces and industries experienced symptoms of stagflation. For instance, central and western ones such as Hunan, Guizhou, Guangxi, Yunnan, Gansu, Ningxia, Inner Mongolia, Shaanxi, Liaoning, and Jilin and regions with a higher percentage of state enterprise all experienced to varying degrees a state of rapid decline in production rate along with rapid rise in prices. In addition, there is now an investment expansion momentum since all areas were trying to expand their scale [of construction] for the last year of the Eighth Five-Year Plan in preparation for economic growth during the Ninth Five-Year Plan. All were competing for investment and project starts instead of actively cutting back their investment scope or forcefully controlling consumption fund growth. The imbalanced economic development of these sectors and regions are bound to have a certain impact on the force of central macroeconomic regulation and control steps.

To sum up this factor analysis, most grain prices would have remained steady or declined somewhat as the autumn grain was marketed as long as the macroeconomic regulation and control force was maintained, with no central or local government having taken any new price increase steps before the end of 1995. And with grain prices steady, feed price rises would have also stopped. So except for possible fine tuning due to seasonal change, meat, poultry, and egg prices should not have changed much. And as other farm and sideline products such as fruit, vegetables, and aquatic products were also essentially balanced for supply and demand or in greater supply than demand, they should not have experienced much price volatility. As to nonfood consumer goods, a survey by the pertinent sector shows that around 87 percent were in larger supply than demand or essentially balanced as to supply and demand. And this keynote of stable supply and demand means that price [rises] would have remained essentially steady or declined. So in the fourth quarter of 1995, with our comparative price index rises further declining, we estimate that our 1995 national retail price index rose about 15 percent, so that we probably met the price regulation and control objective set by the center at the beginning of the year.

II. Forecast of Market Price Trends for 1996

Our 1996 market prices will be affected by the following factors:

1. The state macroeconomic policy direction on 1996 inflation trends will have the most obvious impact. As some enterprises, industries, and regions experienced in 1995 a state of sharp economic decline with persistently high prices, local governments and enterprises are calling loudly for an easing of the regulation and control

force. And as 1996 is the first year of the Ninth Five-Year Plan, all areas are making urgent demands to press ahead boldly to "get off to a good start." All of this is likely to result in a sharp easing by the central government of its macroeconomic regulation and control force to pursue looser fiscal, monetary, and revenue policies, which will bring faster investment and consumption growth and make it harder to control prices.

2. The cost-push factor must not be overlooked. This can be seen most conspicuously in two areas: 1. With agricultural capital goods prices having remained persistently high in 1995, while the state has taken many regulation and control steps, the role of supply and demand relations means that there will be very limited price declines, leaving them very high. And too high agricultural capital goods prices will be bound to raise 1996 agricultural production costs, touching off grain and [edible] oil price rises. 2. As industrial consumer goods prices were relatively stable in 1994 and 1995, while basic raw materials and energy prices rose more, potential price-rise pressure will invariably look for an opportunity to be released, which is likely to happen in 1996. And the sustained rise in manufacturing consumer goods and service prices since October and November 1995 also indicates this likelihood.

3. The force of central and local government price adjustment [upward] will remain the most direct factor affecting 1996 prices. Since the fourth quarter of 1994, the center has called on all areas to not take any new price-rise steps. But with the high inflation, many price relations have become distorted, causing many new price conflicts. And with local finances unable to endure the heavy burden of all sorts of covert and overt subsidies, their best option is to throw off the burden. Unless this is dealt with properly, it could cause price rises.

4. The market regulation and control force of governments at all levels will directly affect the extent of spontaneous rises in market prices in 1996. The less spontaneous rise in market prices in 1995 was due to the more forceful market regulation and control exercised by governments in all areas, particularly their increased use of direct regulation and control measures such as restricted [fixed, constrained] prices. So if such direct market regulation and control is eased in 1996, sharp spontaneous market price rises are even more likely to occur.

5. The agricultural harvest will remain the key factor affecting price stability. While our agricultural base was strengthened to a certain extent in 1995, there is no use denying that China's agricultural development stamina

remains quite weak still quite subject to factors such as climate and natural disasters. So if we sustain another major natural disaster in 1996 that affects our overall grain, oil, and cotton output, that will have an impact on our grain and cotton prices, and thus on our food, textile, and even our overall retail and consumer prices.

In short, while our price-rise and inflationary pressures in 1996 will be somewhat lighter than in 1995, they must still not be treated lightly. Our initial analysis is that our retail prices will rise about 10 percent in 1996, with three points of that due to the lagging impact of 1995 price rises, three to four points due to spontaneous market price rises, and around three points due to price adjustment [upward]. And we project that our cost of living will go up approximately 13 percent.

PRC: Statistics Bureau Report Views Problems in State Firms

OW1503005296 Beijing ZHONGGUO XINWEN SHE
in English 0133 GMT 14 Mar 96

["State Enterprises Beset With Problems" — CNS headline]

[FBIS Transcribed Text] Beijing, March 14 (CNS) — Mainland enterprises have been beset with three major problems although the macro-economic situation improved in 1995, a State Statistics Bureau report says.

The report reveals that the problem of accounts receivable has plagued many enterprises. In four surveys conducted last year, more than one third of the respondents said that their accounts receivable rose considerably over 1994 while less than one fourth of the respondents admitted that theirs actually fell.

Almost 50 percent of firms in the building industry were beset with the problem of chain liabilities, according to the report.

Enterprises' economic returns continued to fall with after tax corporate profits downsizing. A survey conducted last November shows that 46 percent of enterprises investigated said that their after tax profits had shrunk; this was particularly true in state owned firms. The survey reconfirmed the findings of three previous studies by the Bureau in 1995.

Enterprises have also strongly called on the State to establish a social security assistance system as soon as possible. The social and welfare responsibilities borne by enterprises in respect of their employees have so far prevented any serious reform from being implemented.

The report says that over 40 percent of enterprises in a series of surveys considered this problem as one of the main obstacles to reform.

PRC: Wang Zhongyu on State-Owned Enterprise Reform

*HK1503104196 Beijing CHINA DAILY in English
15 Mar 96 p 1*

[By Lu Hongyong: "Reforms of Firms Intensity"]

[PTS Transcribed Text for FBIS] State-owned enterprises are facing intensified reform measures this year, in spite of the considerable progress reforms have already brought to this key sector of the economy, said the official in charge of economy and trade.

Wang Zhongyu, minister of the State Economic and Trade Commission, said yesterday in Beijing: "It is a consensus among China's top policy-makers that the process has to be gradual, with survival of the fittest as the ultimate goal."

Different problems plaguing money-losing State firms call for different solutions and the State Council has been experimenting with a four-point reform in 18 pilot cities since last year, he said.

By the end of last year, the move had resulted in 366 mergers and 103 cases of bankruptcy.

The State is considering making a law of bankruptcy to pave the way for nationwide adoption of the measures, he said.

Also as a result of the four-point experimental measures, enterprises' capital funds increased and their asset liabilities fell.

Increased capital of State firms involved in the pilot experiment totalled 160 million yuan (\$19.3 billion) in 1994. Last year the figure was five times that amount.

And the average current account liabilities of State firms in Shanghai, one of the pilot cities, were brought down to 69 per cent from 71 per cent a year ago, he said.

This year, the State will focus its efforts on rejuvenating 1,000 firms, 878 of which are State-owned, he said.

"In terms of numbers, these State firms account for 2.8 per cent of the national total. However, they contributed 74 per cent of China's total treasury income last year," he said.

"If we pick up firms on the priority list, we will have revitalized the backbone of the national economy," he said.

They include enterprises that are performing well. The State will help them intensify their reforms.

For enterprises with good economic returns but high accumulated debt burdens, measures will be introduced to relieve their liabilities, he said.

Some basic industries and public utilities plagued by low earnings ratios and other problems also appear on the list, and Wang said the State will offer to shore them up with incentives.

Public ownership in China is safe and State sectors will retain a dominant role in the national economy, he said.

There has been a continuous drop in the proportion of public ownership in China's economy, from 77.6 per cent 16 years ago to 42.8 per cent last year, which was mainly attributable to sectors of light textiles, home appliances and daily-necessities industries, he said.

And he added that the State still controls its infrastructure of railways, telecommunications and other industries.

"The proportion will be basically stabilized and no further big drop is in sight," he projected.

He disclosed that losses made by State firms covered in the State budget totalled 40.9 billion yuan (\$4.93 billion) by the end of last year, up 20.5 per cent from 1994.

"We will spare no efforts in curtailing the loss growth," he vowed.

PRC: Minister on Progress in Reform of State-Owned Firms

*OW1403145596 Beijing XINHUA in English
1340 GMT 14 Mar 96*

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — China has made remarkable progresses last year in its reform of state-owned enterprises, an official in charge of economy and trade said here today.

Wang Zhongyu, minister in charge of the State Economic and Trade Commission, said a pilot project was carried out in state firms in 18 Chinese cities last year. Measures taken include increasing the firms' capital, carrying out technological renovation, relocating surplus workers, and having poorly managed enterprises merged or go bankrupt.

He said, eight billion yuan was added to the firms' total capital last year, resulting in a lower debt-to-asset ratio.

Wang cited the example of Shanghai. The debt-to-asset ratio for state firms in the city dropped from 71 percent to 69 percent last year.

He said 23.5 percent of the added capital was used for technological upgrading and product quality improvement.

He said that nationwide 366 firms were merged and 103 went bankrupt last year, with 1.4 million workers retiring from active duties.

The minister said enterprise mergers and bankruptcy are meant to establish "a system of the survival of the fittest," to revitalize the state-owned sector.

In spite of the considerable progress made in reform of state firms, deep-rooted problems of the economic system are yet to be addressed, and the reform remains an arduous job, he said.

Last year, state-owned enterprises reported losses of 40.9 billion yuan, up 20.5 percent over the previous year.

Wang said, problems handicapping state firms are all long-standing ones, and their causes are complicated. The state's, enterprises' and workers' ability to stand drastic changes have to be taken into consideration in reform.

"Reform of state-owned enterprises will be a gradual process," he said.

Finance & Banking

PRC: Central Bank Reforming Loan Management Policy

OW1503010296 Beijing ZHONGGUO XINWEN SHE
in English 0301 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (CNS) — China has recently adjusted the way in which loans granted by state owned commercial banks are managed.

The People's Bank of China (PBoC), the country's central bank, will approve the scope of the loan mandate given to each state owned commercial bank on the basis of its debt-equity. The old management mechanism in this area, which was based on administrative plans, has been abandoned.

The reform is based on several principles. According to the authority concerned, PBoC will check state owned commercial banks' volumes of deposits, loans and repayments on a quarterly basis.

PBoC will examine and ratify each bank's loan plan in 1996 on the basis of its actual deposits in 1995.

If a bank does not meet the deposit target set by the central bank, its loan plan would be trimmed accordingly. However, flexibility in carrying out this regulation would be permitted; for instance, if a bank was engaged in the process of a long term policy loan scheme, its plan could nevertheless be endorsed even though it failed to meet the target of increased deposits.

If a bank exceeded the state target for deposits, PBoC would expand the bank's scope to grant working capital loans in proportion thereto. The balance could be used

to buy state treasury bonds and other bonds designated by PBoC.

According to the authority, every state owned commercial bank must follow PBoC's instructions and, as a legal entity, be subject to quarterly examinations.

PBoC also plans to introduce this loan management mechanism into other non-state commercial banks and credit co-operatives. But operations of overseas subsidiaries of China's banks will not be included in this reform.

PRC: Losses From 'Illegal Foreign Exchange Trades' Cited

HK1503103396 Hong Kong EASTERN EXPRESS
in English 15 Mar 96 p 1

[By Wang Xiangwei]

[PTS Transcribed Text for FBIS] Two dealers at the Bank of China (BoC) — the country's largest foreign exchange bank — last year racked up losses of US\$175m [million U.S. dollars] (about HK\$1.36bn [billion Hong Kong dollars]) in illegal foreign exchange trades, wiping out more than one-tenth of the bank's pre-tax profit last year, the official media reported yesterday.

The rogue duo's vast losses — described as one of the most serious financial crimes in China's history — demonstrated the weak internal control mechanism of the bank which manages part of the country's ballooning foreign exchange reserves on behalf of the central government, analysts said yesterday.

The Shanghai Securities News newspaper revealed the employees in the foreign exchange department of the bank's branch in the eastern province of Shandong had been charged with receiving bribes of HK\$120,000 each in return for making the illegal trades.

According to the official figures, the bank's pre-tax profit for last year was 10.5bn renminbi (about HK\$9.75bn) with its financial assets amounting to Rmb1,340bn by the end of the year.

An official of the BoC branch in the Shandong city of Qingdao said the pair named in the report — Ding Mali and Zhai Luguang — were formerly the head and deputy head of its foreign exchange department.

She said the case was still being investigated but no charges had been laid.

Officials at the Beijing head office of the Bank of China — which is one of China's top four state-owned banks and the country's principal foreign exchange bank — refused to comment on the case as did officials at the

Shanghai office of the People's Bank of China, the central bank.

But banking sources said that, after discovering the scandal, the BoC passed strict internal rules in mid-1995 limiting the freedom of its branches to make forex trades.

Branches are not allowed to trade foreign exchange, and those wishing to carry out trades for customers must submit their requests to the head office in Beijing, which will handle the deal, they said.

"This removed the chances of branches taking their own position in the foreign exchange market," one source said.

Last July, the official China Market Economic News newspaper reported that heavy foreign exchange trading losses had prompted the State Administration of Foreign Exchange Control to conduct investigations in the business.

The newspaper said investigations focused on the forex activities of the Bank of China and its branches.

It gave few details beyond saying China had recorded foreign exchange losses of US\$80m in 1992 and 1993.

Unveiling the bank's 1996 plan in January, Wang Xuebing, the bank's president, said the BoC would have a tougher competition in foreign exchange trading from other domestic competitors. The risk in the foreign exchange business would also get bigger as the international money markets are getting more volatile.

He said the bank would take measures to reform its internal management system in a bid to guard against risk exposures.

***PRC: People's Bank President Views Monetary Policy**

96CE0149A Beijing JINGJI RIBAO in Chinese
22 Jan 96 pp 1, 3

[Article by reporter Chai Mao (2693 5399): "People's Bank of China President Stresses Continuing Implementation of Monetary Policy of Appropriate Measure of Expansion and Contraction"]

[FBIS Translated Text] The national financial work conference in Beijing came to a close on 18 January. This reporter took the opportunity to interview Dai Xianglong [2071 4161 7893], president of the People's Bank of China (PBC), on the current financial situation, financial tasks, monetary policy, and other issues.

Question: In 1995, under the leadership of the party Central Committee and the State Council, China basically achieved its goal of predetermined regulation and

control, and the national economy maintained a sustained, high-speed, healthy momentum. Can you discuss what contributions the financial system has made to this? What is the current financial situation like?

Answer: Last year the great number of cadres, staff, and workers in the national financial system conscientiously implemented the monetary policy of an appropriate measure of expansion and contraction, and they obtained marked successes. The amount of cash put into circulation was markedly reduced, and the size of the increase in the money supply fell back smoothly after a rise. At the end of 1995, the amount of cash in circulation was about 790 billion, and in that year the net amount of money put in circulation was 60 billion yuan, 82 billion less than in the year before last. By the narrow definition (the current deposits of cash in circulation of 10 enterprises, generally called M1) the money supply was about 2.4 trillion yuan, a 15.8 percent increase over that of the year before last and 10 percentage points lower than the size of the increase in the year before last; by the broad definition (the types of deposits of cash in circulation, generally called M2) the money supply was about 6.08 trillion yuan, a 29.5 percent increase over that of the year before last and a fall of nearly 5 percentage points compared to the size of the increase in the year before last. The fall in the size of the increase in the money supply played an important role in restraining inflation. There was a major change in the central banks' way of regulating and controlling. In that year they twice adjusted upward the interest rate on loans; managed for financial institutions more than 40 billion yuan in special loans and fund-raising bonds; managed a grand total of more than 80 billion yuan in rediscounted loans and bonds; in the third quarter timely added 30 billion yuan in loans to market-beneficial production; and in the whole year 100 billion yuan fewer funds were increased compared to that in the year before last. Throughout China deposits and loans grew smoothly and steadily. At year end there were about 5.39 trillion yuan in deposits in financial institutions, an increase of nearly 1.3 trillion yuan compared to that at the beginning of the year; among these deposits the savings deposits of urban and rural people increased 813 billion, with a remaining sum at year end of 2.97 trillion yuan. More than 5.05 trillion yuan in loans were retained by financial institutions, an increase of 934 billion compared to that of the year before last, of which loans newly added by state banks accounted for 638.7 billion yuan. In the entire year insurance premium income was 55.6 billion yuan, an increase of 116 billion yuan compared to that of the year before last. The renminbi exchange rate was stable; the state's foreign exchange reserves reached \$73.5 billion, an increase of \$21.9 billion compared to that at the end of the year before last.

Of course, we must clearly see that in financial work there are many problems that urgently require solution. In the broad definition of money supply, the size of its increase was too high, the phenomenon of financial institutions' violating laws and regulations is still fairly serious, the level of administration and management in financial enterprises is still fairly low, and financial services cannot keep up with the demand for development in the economic and social situations. These problems require conscientious solutions.

Question: What are the main tasks in financial work this year?

Answer: This year there are five main tasks in financial work. The first task is to conscientiously implement the spirit of the Fifth Plenary Session of the 14th CPC Central Committee and the central economic work conference, making the control of inflation the chief task in macro regulation and control; continuing to implement the monetary policy of an appropriate measure of expansion and contraction; and controlling price rises at about 10 percent. The second task is to strengthen the dynamic of financial supervision and control; to be on guard against the appearance of systematic, regional financial risks; and to safeguard lawful, stable, and healthy operations in the financial sector. The third task is to deepen the reform of the financial system and to raise the level of its opening up to the outside world. The fourth task is to improve financial services and to support the reform of state-owned enterprises. The fifth task is to enhance bank internal management, and to improve the fluidity, safety, and profitability of credit funds.

Question: How are we to understand the policy of an appropriate measure of expansion and contraction?

Answer: The Fifth Plenary Session of the 14th CPC Central Committee decided that during the period of the Ninth Five-Year Plan, the financial and monetary policy of an appropriate measure of expansion and contraction must still be implemented, putting the control of inflation in first place. Our financial circles must resolutely carry out this decision. The monetary policy of an appropriate measure of expansion and contraction includes the following parts: First, they must strictly control the total amount of monetary credit. From 1992 to 1994, by the narrow definition of money supply the size of the growth in the money supply was more than 3 percentage points higher than the sum of the economic growth rate and the price rise rate, thereby causing serious inflation. In the coming several years, the sizes of these two growth rates must be made roughly level with each other. In 1996 the size of the growth in the money supply by the narrow definition is to be controlled within 18

percent, and the size of the growth in the money supply by the broad definition is planned to be about 15 percent, with the size of the growth being 4.5 percentage points lower than that at the end of 1995. The second task is to safeguard the financial institutions' right to act on their own initiative in operations and to set up a loan responsibility system, thereby gradually improving the quality of loans compared to that in the past. The third task this year is to control price rises at about 10 percent, and in the period of the Ninth Five-Year Plan to control the national average price rise rate at 1 or 2 percentage points lower than the economic growth rate. The fourth task is for the central banks to make more use of the interest rate, reserve fund rate, public market operations, and other indirect measures for regulation and control to regulate and control the amount of the money supply. Expanding and contracting the amount of the money supply requires the coordination and cooperation of financial, investment, consumption, price, trade, and other policies.

Question: Doesn't last year's reduction in the amount of cash in circulation show that the money markets were excessively contracted? Moreover, many enterprises are reporting that funds are in short supply, and they are demanding that the banks increase the amount of money. How do you view this situation?

Answer: Last year 60 billion yuan were issued, putting 82 billion yuan less in circulation than in the year before last. This shows that the state has succeeded in controlling the growth of fixed assets investment and consumption funds. However, we cannot say that this shows that the money markets have been excessively contracted, because last year 60 billion yuan were put into circulation, which was in addition to the base of an aggregate 4.1 trillion yuan put into circulation from 1992 to 1994. Because of the sustained growth of reserves, the growth of the amount of cash put in circulation, the large amount of credit cards extended by banks, the services providing transfer and deposit of wages, and other factors, the size of the growth of cash put in circulation has been relatively restrained. In judging the elasticity of money markets we cannot just look at cash; in the end we must look at the amount of money supply by broad definition. Last year financial institutions newly added loans worth 9.34 trillion yuan, an increase of 23 percent. In 1995 the amount of the money supply by broad definition was 29.5 percent higher than that of the year before last, and the increase in retail prices was still as high as 14.8 percent. All these things show that the aggregate amount of the money supply in society is still too high, but we cannot say that the money markets are excessively contracted. We must conscientiously analyze the problem of funds

in tight and short supply reported by enterprises. At present enterprises can obtain funds through loans, sales of foreign exchange, or the raising of capital by floating shares and issuing bonds, and many other channels. By the end of last year, enterprises had deposited 1.7 trillion yuan in financial institutions, a 30 percent increase over that of the year before last, and, from the overall perspective, there was a fairly large increase in enterprise funds. Moreover, the commercial banks last year, signed, issued, and honored more than 240 billion yuan in drafts and handled nearly 150 billion yuan in commercial note discounts. The tight and short supply of funds in some enterprises is mainly a case of working capital being squeezed out and used for investment in fixed assets, the "three items of funds" taking up too much of the funds, and losses being serious. To solve this problem, besides having the banks appropriately increase loans to production operations with markets and beneficial results, the main thing is to depend on the enterprises to deepen reform, strengthen management, and accelerate the turnaround of funds; we cannot wait for an expansion of money markets.

Question: What measures will the financial departments take to improve financial services and support the reform of state-owned enterprises?

Answer: Setting up a modern enterprise system and improving the capability of state-owned enterprises for self-development and self-restraint are the basic conditions for developing standardized commercial banks. Therefore, all types of financial institutions, especially state-owned ("independent funds") commercial banks, must make improving financial services, strengthening credit supervision, and supporting the reform and development of state-owned enterprises the focus of financial work. They must strengthen account management, improve account-settling services, and reduce the cases of enterprises being in mutual arrears; perfect the information network of 1,000 state-owned large enterprises and enterprise groups, set up the sponsor bank system in large and middle-sized enterprises, popularize ("bank group") loans, support the good running of financial enterprises, and allow enterprises that meet the conditions, after getting approval, to raise funds by issuing bonds; timely give credit support to production operations with markets and beneficial results, extend all kinds of fixed asset loans according to stipulated conditions, but strictly prohibit the diversion of working capital to fixed asset investment; actively take part in and support the legal annexation or bankruptcy of enterprises, according to stipulated conditions and procedures handle interest exemptions and the writing off of bad debts, at the same time protect lawful bank creditor rights, expose false annexations and false bankruptcies

and true dodging of creditors; and accelerate the process of the computerization of the financial sector, and provide convenient and rapid services to enterprises.

Question: A correct monetary policy and powerful supervision and control are two aspects in which the central banks fully display their function of macro regulation and control. What actions will the People's Bank take this year to augment the dynamic of financial supervision and control?

Answer: This year it will perfect the system of laws and regulations; and, with regard to allowing financial institutions to enter markets and the scope of their operations, exercise systematic supervision and control, and safeguard the lawful, stable, and healthy operations in the financial sector. The foci of this year's financial supervision and control are, first, comprehensive completion of the reregistration work for nonbanking financial institutions; second, conscientiously implement the administration and management of financial institutions by separate professions; third, correct behavior by financial institutions that violate discipline; and, fourth, strengthen audits of financial institutions. At the same time it must examine the qualifications of high-level staff members of financial institutions to hold posts.

Question: This is the first year for the Ninth-Five Year Plan. How, through the deepening of reform, can a good foundation be laid for financial development in the Ninth Five-Year Plan?

Answer: In the period of the Ninth Five-Year Plan, in line with the direction of the marketization of the interest rate, there will be a gradual reform of the interest rate control system. In 1996 we will form a same-sector discount borrowing interest rate that will be decided by the demand for and supply of market funds and that will be controlled. Financial institutions will be permitted, based on their clients' different credit standings, time limits, and risks, within a given floating range, to decide a loan's interest rate. Based on the situation with regard to price changes and the supply of and demand for funds, the interest rate will be timely adjusted, so that price changes will be maintained at an appropriate level with the deposit interest rate, deposit and loan interest rates, and loan and bond interest rates. The People's Bank will use measures for indirect regulation and control. The nationwide same-sector discount borrowing market will be perfected and expanded. Starting from April, a central national-debt registration and account-settling company will be set up to initiate business on the national debt public market. The People's Bank will expand the scale of rediscounting, promote the honoring of commercial bills, and steadily develop the business of discounting and rediscounting.

This year it will accelerate the reform of the rural credit cooperative management system. With regard to the funds of the organization of a rural credit cooperative, after the stipulated payment of the reserve fund and the deposit of the stand-by reserves, the remaining funds can be either more deposited and more loaned, or less deposited and less loaned, "looking ahead and behind," effecting an appropriate adjustment and giving support to agricultural households and agricultural production. After obtaining approval, a province may select one or two economically developed county-seat cities for the setting up of a rural cooperative bank. Within the year we will strive the complete preparations for setting up city cooperative banks in 35 large and medium-sized cities. We will accelerate the reform of the insurance system, completing the separate establishment of property insurance and life insurance, appropriately increasing the number of commercial insurance companies, and creating conditions for the formation of agricultural insurance companies. We will further perfect the administration and management mechanisms of policy-making banks and their business commission and proxy systems. We will continue to carry forward the reform of solely funded commercial banks, and raise the fluidity, safety, and profit levels in the use of funds. We continue to reform the foreign exchange system, perfect the bank's present system for settling accounts in and selling foreign exchange, by means of experimental points incorporate into this system the enterprises that buy and sell foreign exchange and in which foreign businessmen have invested, and appropriately accelerate the process of making renminbi under regular categories convertible. We will continue to introduce, in a planned and measured way, foreign capital-venture financial institutions, and by means of experimental points expand the range of their operations. At the same time we will vigorously support and encourage state-owned commercial banks and other financial institutions to develop branches outside China and expand their overseas financial operations.

***PRC: 1995 Fourth Quarter Financial Statistics
Issued**

96CE0151A Beijing JINRONG SHIBAO in Chinese
1 Feb 96 pp 1,3

[Article: "Financial Statistics for 1995, Which This Newspaper Has Been Authorized To Publish, Show That the Financial Situation Is Moving Along Smoothly; Macroeconomic Regulation and Control Shows Marked Results. Moderately Tight Money Policy To Continue

During 1996, Curbing Inflation To Be the Main Task in Macroregulation and Control"]

[FBIS Translated Text] Beijing 31 January Correspondent Wang Baoqing [32769 1405 3237] reports that the financial statistics that the Chinese People's Bank has authorized this newspaper to publish show that during 1995 the financial system diligently carried out a financial work program that included "a moderately tight money policy, greater financial oversight, improvement of financial services, and persistent efforts to curb inflation" under the correct leadership of the CPC Central Committee and the State Council. Both government macrofinancial regulation and control and the central bank's monetary policy scored remarkable results. Financial operations moved along smoothly throughout the year with major financial indicators making a better showing than during 1994. Money supply showed a steady downturn, and total demand was brought under control. Savings deposits showed tremendous sustained increase for a further steadying of the banks' payment capabilities. Aggregate credit inputs were moderate ensuring rational fund requirements for economic development. Foreign exchange market exchange rates were steady, and the country's foreign exchange reserves greatly increased. The macroregulation and control of monetary policy played an important role in holding down inflation, and in promoting sustained, rapid, and healthy development of the national economy. It also created a favorable climate and a fine situation for carrying out the Ninth Five-Year Plan.

1. Steady downturn in trend toward increase in money supply; overall demand brought under control.

In 1995, the money-in-the-narrow-sense (M_1) balance was 2.39873 trillion yuan, up 16.8 percent in a 10 percentage point increase over the end of the previous year. The money-in-the-broad-sense (M_2) balance was 6.07495 trillion yuan, up 29.5 percent in a 5 percentage point increase over the end of the previous year. A comparison of the money supply at all levels shows varying degrees of downturn in the rate of increase. Downturn in the rate of increase of M_1 , which is closely related to industrial production and consists of the demand deposits and cash in circulation of enterprises and institutions, was substantial, reaching anticipated financial regulation and control goals. Downturn in M_2 , which is affected largely by the high increase in the public's savings deposits and enterprises' fixed deposits, was fairly slow. At the end of the year, the ratio between M_1 and M_2 fell from 43.8 percent in 1994 to 39.5 percent in 1995 in a 4.3 percentage point drop. Currency liquidity weakened greatly. In addition, since

the increase in total demand was brought under control, because the market was stable, and because of the spread of new financial instruments such as credit cards, the amount of cash in circulation (M_0) decreased, the amount put into circulation for the entire year increasing 8.2 percent. Thanks to effective regulation and control of the money supply, the conflict between total supply and demand eased. The comparative month-by-month social retail commodity price index for society as a whole took a downturn from 23.2 percent at the beginning of the year to 8.6 percent in December. The social commodity retail price average for the year increased 14.8 percent over 1994 in a 6.9 percentage point decline from the 21.7 percent of 1993 to meet the regulation and control goal set at the beginning of the year, inflation being brought under preliminary control.

2. Steady increase in all forms of deposits, bank payment capabilities steady further.

During 1995, all deposits in national banks increased 937.548 billion yuan, up 31.8 percent. This was a 142.86 billion yuan greater increase than in 1994. This included an enterprise deposits increase of 30.041 billion, up 26.1 percent, 27.08 billion yuan more than in 1994. The main reason for the substantial increase in enterprise deposits was the substantial increase in bank loans to enterprises. Enterprises' payment capabilities increased, so deposits correspondingly increased. During the year, national bank loans increased 11.1 percentage points faster than GDP for the same period. Second was the large increase in enterprises' exports. Enterprises deposits increased as a result of the large amounts of renminbi (RMB) obtained through bank exchange settlements. In addition, the increase in bank acceptances of bills of exchange also increased banks' inputs of funds in enterprises for a corresponding increase in enterprise deposits.

Savings deposits for 11 of the twelve months of 1995 showed fairly strong increase except for March when they increased only slightly because of a government bond issue. As of the end of December, the city and countryside savings deposit balance stood at 2.966220 trillion yuan, up 812.61 billion yuan in a 37.7 percent increase. This included a 60.877 billion yuan increase in city and town fixed deposits, or 76.9 percent of the new deposit increase, up 13 percentage points from the beginning of the year. The sustained increase in savings deposits shows that in the absence of new consumption hot spots, and despite the fairly high savings interest rate and inflation-proof boot rate, savings accounts remain the public's first investment choice. It also reflects the continued month by month downturn in prices. Public confidence in the government has increased, and the

general mood is that inflation has stabilized. The steady increase in deposits provides a steady source of funds for the banking sector.

3. Moderate aggregate loan investment and structural improvements ensure reasonable fund requirements for economic development.

During 1995, loans of all kinds made by financial institutions increased 933.98 billion yuan, 212.32 billion more than the 1994 increase. This included a 638.71 billion increase in government bank loans. Most of the loan increase during 1995 was for investment in the capital construction sector, and in large and medium size state-owned primary enterprises and key government construction projects. Agricultural loans and loans for the procurement of agricultural and sideline products increased substantially. Loans ensured that governments needs would be met for the procurement of agricultural and sideline products at a time of rise in the procurement price of cotton, and an increase in the amount of grain and cotton purchased, and they increased inputs into agriculture. Industrial loans maintained fairly large scale growth, maintained the production of enterprises whose products have a market and that are making money, and ensured rapid increase in industrial production. The loan placement rate for key government construction projects improved greatly; work on projects speeded up; and work was completed on a substantial number of projects, thereby further easing transportation, energy, and major raw and processed materials bottlenecks. Generally speaking, the new loans were invested in the right places. The overall structure improved, and aggregate increase was about right. Currently, some state-owned enterprises have a shortage of working capital, and the number in arrears on loan payments is on the rise. The money shortage in some enterprises reflects the control over total demand brought about by macroeconomic regulation and control. However, the money shortage in some other enterprises has little to do with macroeconomic regulation and control. The shortage stems primarily from institutional shortcomings and structural problems. Solving enterprises cash shortage problem simply by loosening the money supply and providing more credit will not only not work, but may set off a new round of inflation. Institutional reforms must be pushed and economic growth methods change, and macroeconomic regulation and control must be gradually improved.

4. Foreign exchange market exchange rates stable; government's foreign exchange reserves increase substantially.

China's import-export trade increased rapidly during 1995. China continued to maintain a substantial favor-

able balance of international trade, showing a \$16.69 billion favorable balance for the year. At year's end, the country's foreign exchange reserves stood at \$73.597 billion for a \$21.977 billion increase over the previous year. This holds extremely important and positive significance in providing leeway for the expansion of macroeconomic regulation and control, and for widening the opening to the outside world. The substantial favorable balance of trade and foreign exchange reserves ensure a stable renminbi exchange rate on foreign exchange markets. The international integrity of the renminbi has risen further. At the end of the year, the renminbi-U.S. dollar exchange rate was 8.31 to 1, showing a slight rise from the 8.44 to 1 exchange rate at the beginning of the year.

5. Central bank basic money was brought under effective control.

Central bank basic money increased 360.39 billion yuan during 1995. This was 39.16 billion yuan less than the 1994 increase. Since the beginning of 1995, the central bank has pursued a moderately tight money policy. It has further improved methods for regulating and controlling basic money, twice raising the central bank loan interest rate to hold down excessive heating of credit demand. As the amount of renminbi tied up in foreign exchange reserves increased greatly, the central bank acted promptly to readjust central bank assets, recovering loans made to financial institutions at the right times and in the right amounts, or controlling increases in credit to financial institutions as money demand required at different times. Standby reserves of financial units remained largely normal each month throughout the year. This both ensured payment needs, and also effectively controlled increase in basic money.

Overall the economy and the financial system ran smoothly, all financial indicators being better than during 1994. In comparison with two years ago, in particular, the economic and financial climate has taken on a whole new look. Nevertheless, because some deep down troubles in the economic control system have not been fundamentally solved, the foundation for a downturn in prices is not firm, fixed assets continue to account for too large a portion of construction, the agricultural foundation is fairly weak, and some state-owned enterprises are experiencing business difficulties and severe losses. The main problems reflected in financial operation are as follows: Increase in the money supply in the broad sense (M_2) continues too high, and money demand increase pressures are great. Financial institutions have not markedly improved the quality of their credit assets, and turnover of credit funds has slowed. Although currency inflation has eased, new

latent pressures for a rise are slowly building. The risk of inflation of total demand remains.

The main tasks in financial work during 1996 are as follows: "Diligent implementation of the spirit of the Fifth Plenary Session of the 14th Party Congress, and of the Central Committee Economic Work Conference, making control of currency inflation the main task in financial macroeconomic regulation and control, continuing to carry out a moderately tight money policy, actively moving ahead with changes in financial institutions and credit fund business methods, improving financial regulation and control methods, improving financial risk oversight, improving financial services, and making a good beginning in reforming and developing the country's finance and banking industry during the Ninth Five-Year Plan, the better to promote sustained, rapid, and health development of the country's economy." Achieving this will require continuation of the moderately tight money policy, strict control over the total amount of money credit, and holding down increases in total demand. Credit policy must vigorously strengthen readjustment of the credit structure, increase the amount of investment in agriculture, actively support the production of enterprises that have markets and make good returns, strictly control the investment of credit in fixed assets, ensure that working capital is not diverted to investment in fixed assets, increase the amount of credit invested in the technological transformation of enterprises, and support technological progress in enterprises, thereby promoting readjustment of the economic structure. In addition, the central bank must gradually increase indirect regulation and control, perfect financial laws and regulations, genuinely guard against financial risks, improve financial services, safeguard firm and steady financial operation, and strive to create a fine economic and financial climate for economic growth during 1996 and smooth implementation of the Ninth Five-Year Plan.

National Bank Credit Receipts and Disbursements. (Unit: 100 million yuan)

Particulars	Balance as of End of Fourth Quarter 1995
All deposits	38,782.60
Enterprise deposits	14,519.63
Fiscal deposits	1,003.17

Particulars	Balance as of End of Fourth Quarter 1995
Government agency and group deposits	899.81
City and town savings deposits	21,941.03
Agriculture deposits	216.83
Other deposits	202.13
Bonds	1664.41
Debt to international financial institutions	382.35
Money in circulation	7,885.34
Banks' own funds	2,272.21
Interbank transactions	4,398.18
Other	-1,396.06
Funding sources total	53,989.03
All credit	39,393.40
Industrial production enterprise credit	8,789.25
Materials supply and marketing enterprise credit	1,063.37
Commercial enterprise credit	12,163.33
Construction enterprise credit	1,035.00
City and town collective enterprise credit	1,066.37
Individually owned industrial and commercial enterprise credit	34.06
Agricultural credit	1,921.55
Fixed assets credit	10,025.58
Three kinds of partially or wholly foreign-owned enterprise credit	899.97
Other credit	2,394.00
Procurement	3,064.19
Money tied up in gold	12.04
Money tied up in foreign exchange	6,774.45
Assets in international financial institutions	555.14
Fiscal loans	1,582.00
Interbank dealings	2,607.75

Particulars	Balance as of End of Fourth Quarter 1995
Funds operating total	53,989.03

Note: National bank statistics include: People's bank, policy banks, state-owned commercial banks, the Bank of Communications, Zhongxin Industrial Bank, and government postal savings.

Rural Credit Cooperative Savings and Loans. (Unit: 100 million yuan)

Particulars	Balance as of End of Fourth Quarter 1995
All Savings	7,172.84
Collective demand deposit savings	891.97
Collective fixed deposit savings	85.31
Peasant household savings deposits	6,195.56
All loans	5,234.214
Agricultural loans	1,094.85
Township and town enterprise loans	2,779.10
Other loans	1,360.29

Urban Credit Cooperative Receipts and Disbursements. (Unit: 100 million yuan)

Particulars	Balance as of End Fourth Quarter 1995
All deposits	3,357.45
Collective enterprise deposits	871.64
Other enterprise deposits	567.10
Individually owned industry and business deposits	140.94
Citizens' savings deposits	1,259.46
Other enterprise deposits	567.10
Loans to People's Bank	29.72
Financial institution interbank transactions	309.69
Banks' own funds	135.95
Surplus	13.09

Particulars	Balance as of End Fourth Quarter 1995
Other	699.10
Funding sources total	4,545.00
All credit funds	1,929.03
Collective enterprise credit	1,079.65
Other enterprise credit	181.52
Individually owned industry and business credit	156.17
Other credit	511.69
Bond purchases	20.53
Deposits to People's Bank	259.14
Paid to reserve fund	332.11
Paid to special deposit	23.46
Financial institution inter-bank transactions	908.47
Cash on hand	47.99
Other	1,024.27
Funds operating total	4,545.00

Exchange Rates; Gold and Foreign Exchange Reserves

1995	October	November	December
Exchange rates: Special drawing rights units converted to RMB (end of period figure)	12.5034	12.3866	12.3709
U.S. dollars converted to RMB (end of period)	8.3149	8.3120	8.3174
U.S. dollars converted to RMB (average)	8.3155	8.3125	8.3156
Gold reserves (10,000 ounces)	1,267	1,267	1,267
National foreign exchange reserves (\$100 million)	729.98	744.96	735.97

Money Supply at All Levels, Fourth Quarter 1995. (Unit: 100 million yuan)

Particulars	End of Quarter Balance	Percentage of Previous Period
Money and quasi-money (M_2)	60,749.5	29.5
Money (M_1)	23,987.3	16.8
Cash in circulation (M_0)	7,885.3	8.2
Demand deposits	16,102.0	21.5
Quasi-money	36,762.1	39.3
Fixed deposits	3,322.7	71.0
Savings deposits	29,662.3	37.9
Other deposits	3,777.1	29.3

Finance, Trust, and Investment Institution Credit Receipts and Payments. (Unit: 100 million yuan)

Particulars	Balance as of End Fourth Quarter 1995
All deposits	2,4981.51
Consignment deposits	1,676.61
Trust deposits	625.34
Security deposit deposits	21.41
Other deposits	175.15
Issue bonds	18.98
Negotiable securities business funds	207.45
Loans to People's Bank	23.86
Interbank transactions	646.93
Bad debt reserve	8.09
Self-owned capital	449.35
Surplus	10.44
Other	722.03
Funding source total	4,585.64

Sources of Funds	Balance as of End Fourth Quarter 1995
All deposits	1,530.34
Enterprise deposits	1,023.85
City and town savings deposits	254.87
Rural deposits	2.11
Trust deposits	200.19
Other deposits	49.32
Financial debentures	0.14
Negotiable securities business funds	16.29
Loans to People's Bank	19.80
Financial institution interbank transactions	219.42
Bad debt reserve	5.61
Capital funds	94.69
Surplus	26.57
Other	891.21
Total	2,804.07
All credit	1,153.62
Industrial credit	253.64
Commercial credit	227.31
Construction and capital construction enterprise credit	13.89
Contract and small business credit	5.13
Three kinds of partially or wholly foreign-owned enterprises credit	95.67
Agriculture credit	2.74
Medium and long-term, credit	98.92
Trust credit	179.98
Other credit	276.34
Investment and leasing	135.95
Funds tied up in negotiable securities business	29.15
Deposits to People's Bank	209.74
Turned over to People's Bank deposit reserve	149.88
Financial institution interbank transactions	207.81
Cash on hand	12.71

Sources of Funds	Balance as of End Fourth Quarter 1995
Other	905.21
Total	2804.07

PRC: Construction Bank Finances Infrastructure Projects

OW1403150896 Beijing XINHUA in English
1240 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — The People's Construction Bank of China (PCBC) has pumped 8.95 billion yuan in loans into large and medium-sized infrastructure projects so far this year.

The projects include those producing steel, coal, electricity and crude oil in central, northeast and east China.

One of China's four state commercial banks, PCBC has given priority to supporting state key projects.

Over the past five years, the bank extended 120 billion yuan in loans to help launch such large and medium-sized projects as the Baoshan Steel and Iron Corporation in Shanghai in east China, and the Liaohe Oil Field in northeast China's Liaoning Province.

In January, the bank arranged 1.5 billion yuan in loans for some large and medium-sized projects, and state key projects where construction will be completed soon or which will be put into operation in the near future.

Officials with the bank point out that their loans have reached the infrastructure projects more on time than those for other projects.

Foreign Trade & Investment

PRC: Foreign Investment Follows Beijing-Kowloon Rail Line

OW1503003596 Beijing ZHONGGUO XINWEN SHE in English 0324 GMT 14 Mar 96

[FBIS Transcribed Text] Beijing, March 14 (CNS) — Foreign investment has flooded into the cities along the course of the Beijing-Kowloon Railway since tracks were laid last year.

The RMB [renminbi] 36 billion railway stretches over 2,500 kilometres from Beijing to the Kowloon Peninsula in Hong Kong and traverses 200 cities in nine provinces.

When it becomes fully operational, the economies of the cities along the railway will be greatly boosted as will links between Hong Kong and the mainland.

Guangdong is one of the major provinces through which the new railway passes. In the city of Heyuan, which is the point of intersection of the Beijing-Kowloon and Guangzhou-Meixian-Shantou railways, many Hong Kong businessmen are already active in real estate development and industry.

Over 1,100 foreign-funded projects with US\$ 1 billion in foreign capital are operating in Huizhou where foreign companies such as Honda and Sony of Japan and New World Development Co. Ltd. from Hong Kong have established a presence.

Businessmen from abroad, and from Hong Kong and Taiwan in particular, are eyeing the immense trading and investment opportunities created by the new railway. The present trend is northwards in search of business opportunities beyond Guangdong.

Ganzhou city in Jiangxi Province, now has over 200 Hong Kong and Taiwanese funded firms, most of which are engaged in the manufacture and sale of building materials.

Recently, local entrepreneurs in Ganzhou organized a foreign investment forum in Hong Kong where they were successful in attracting US\$ 400 million into 56 projects including residential housing and commercial building developments.

Elsewhere, in the city of Heze, Shandong Province, the Taiwanese have agreed to jointly finance construction of a large integrated food processing plant.

It is anticipated that in the next five to 10 years, capital of RMB 20 billion will be needed to support the construction of railway. A further RMB 40 billion will be required for infrastructural projects such as highways, power stations, residential housing, agriculture and the development of coal and iron ores along the course of the railway.

PRC: Import Contract Signed for ADB-Financed Project

*OW1403150696 Beijing XINHUA in English
1239 GMT 14 Mar 96*

[FBIS Transcribed Text] Beijing, March 14 (XINHUA) — A contract was signed in Beijing today for the import of two sets of 350,000-kilowatt steam turbine generators. They will be used in a project in northeast China's Heilongjiang Province, which is financed by the Asian Development Bank (ADB).

The Qitaihe Thermal Energy and Environment Improvement Project, located in the middle of the province, which is rich in coal, receives funds totalling 220 million U.S. dollars from the ADB.

Under the contract signed today, Japan's Mitsui Company, winner of an international bidding exercise, will provide the two generators produced by General Electric of the United States.

The first phase of the project promises a capacity of 1,200,000 to 1,400,000 kilowatts, and the two sets of coal-fired generators, being constructed with funds partly from the ADB, will be put into operation in 1999.

The project is expected to help improve heat supply in the region, ease transportation of coal, and partially meet the demand for electricity in the province, and the northeast China region as a whole.

PRC: Dalian Investment Climate Attracts Foreign Funds

*OW1303234696 Beijing XINHUA in English
0753 GMT 13 Mar 96*

[FBIS Transcribed Text] Dalian, March 13 (XINHUA) — This open coastal city in northeast China's Liaoning Province is luring more and more foreign investment.

The city has 5,226 foreign-funded enterprises, involving a total investment of 15.81 billion US dollars, of which foreign investment accounts for 8.27 billion US dollars.

Last year saw these enterprises export 1.44 billion US dollars' worth of goods, accounting for more than one half of the city's total. About 80 percent of the goods were exported to Japan.

A local official attributed this to the steady improvement of investment conditions.

A survey showed that Dalian invested 12 billion yuan in building infrastructure facilities during the 1991-1995 period.

PRC: Heilongjiang City To Open Wider to Foreign Trade

*OW1503010196 Beijing ZHONGGUO XINWEN SHE
in English 0301 GMT 14 Mar 96*

[FBIS Transcribed Text] Harbin, March 14 (CNS) — Suifenhe City in Heilongjiang Province in Northeast China, a trading port for 100 years, will be further opened to foreign merchants.

Its economic strength has increased year by year and its importance as an international economic and trade entrepot has become more evident.

Since the opening up of frontier trade with Russia in October, 1987, Suifenhe has been the channel through which a quarter of overland trade with Russia and eastern Europe has passed. Last year, the volume of foreign trade conducted through the port which has been

Heilongjiang's leading port for eight years, was US\$139 million.

Suifenhe now trades with over 30 countries and regions, including the U.S., Japan, South Korea, Vietnam, Hong Kong, Macau, Taiwan, the Middle East and western Europe. Last year, Suifenhe completed 30 economic and technological cooperation projects amounting to US\$7.513 million.

The main products traded changed from steel, timber, chemical fertilizers, cement and fish in the past to hi-tech products, such as mechanical and electrical goods and raw materials for chemical industries.

At the same time, to develop its advantages to the full, Suifenhe has also set up a frontier economic cooperation region spread over 5 square kilometers. It contains 230,000 square meters of warehousing and houses more than 100 enterprises with a total of investment of RMB (renminbi) 480 million (US\$ 57.692 million).

According to statistics, 90 percent of the passing through Suifenhe come from or are destined for inland China. Most of the exports come from the inland areas, while most imports are of these which are in short supply on the mainland.

At present, Suifenhe is intensively building a frontier free trade region. The region will be administered in accordance with international practice. Suifenhe will cancel trade barriers such as customs duties, import and export quotas. This will be of significance for economic and trade cooperation between Suifenhe and Northeast Asia.

PRC: Imports Rise 70% in Shanghai's Pudong New Area

OW1403015296 Beijing XINHUA in English
0108 GMT 14 Mar 96

[FBIS Transcribed Text] Shanghai, March 14 (XINHUA) — Imports and exports from Shanghai's Pudong New Area, one of the most dynamic economies in China, surged 44 percent in the first two months of this year. It generated business worth 840 million US dollars.

The value of imports totalled 479 million US dollars, representing a 72 percent increase compared with the same period of last year, while exports came to 364 million US dollars, showing a decline of 8.3 percent.

Japan remained the area's largest trade partner last year, with imports rising 35 percent at 100 million US dollars, accounting for 21 percent of Pudong's total trade.

PRC: More Overseas Investment Cited in Pudong New Area

OW1403234596 Beijing XINHUA in English
1538 GMT 14 Mar 96

[FBIS Transcribed Text] Shanghai, March 14 (XINHUA) — A total of 3,501 overseas-funded enterprises from 55 countries and regions had set up by the end of February in the Pudong New Area in China's largest metropolis, bringing with them 147 billion U.S. dollars' worth of foreign investment.

Latest statistics show that Hong Kong topped the list of investors with an investment of 7.67 billion U.S. dollars.

According to a local source, Hong Kong has been the most active investor in Pudong from the start. During the January-February period, another 40 Hong Kong enterprises set up new ventures here, bringing the number of projects to 1,690, or 46.8 percent of the total of foreign-funded projects in Pudong. Economists here say investment from Japanese enterprises in Pudong is growing fast.

The local source said that over 100 Japanese entrepreneurs have made visits to Pudong this year and many have expressed an intention to invest in the area.

PRC: New Shenzhen Copyright Bureau Destroys Illegal Tapes

HK1503102196 Beijing CHINA DAILY in English
15 Mar 96 p 3

[By Wang Rong: "Copyright Team All Fired Up"]

[PTS Transcribed Text for FBIS] Shenzhen—The Shenzhen Copyright Bureau (SCB) debuted with a bang on Wednesday, destroying almost 420,000 illegal audio and video tapes at its opening ceremony.

"The establishment of the SCB is of great significance in reinforcing the protection of intellectual property," said Yuan Ruwen, Shenzhen's Vice-Mayor, at the ceremony.

Within the Special Economic Zone of South China's Guangdong Province, the SCB will implement the State's laws and regulations on copyright, investigate and deal with copyright violations, and monitor copyright contracts involving foreigners.

Shenzhen was one of the first special economic zones established in China. Shenzhen has had increasing overseas contact over the past decade. With exposure to foreign goods and products came a lot of copyright infringement as Chinese companies sought to make the same product cheaper, but without paying for distribution or licence fees.

Copyright infringement became a sore point in Chinese relations with some Western governments and investors, and the State and provincial governments have moved strongly recently to prove China will protect international copyrights.

In the Shenzhen Special Economic Zone, to protect and enhance the investment environment, the SCB offers powerful legal protection to intellectual property, especially developments in the computer and electronics industries.

"In the near future, we hope Shenzhen will establish more comprehensive laws and regulations governing copyright management to eradicate any violation," Yuan said.

He also commended the city's Cultural Checking Team, which, since the 1980s has investigated and dealt with illegal audio and video products.

Last year, the team destroyed a total of 420,000 illegal audio and video products, including 46,800 audio and 49,700 video tapes, 153,390 compact discs (CD), 350 laser discs, 148,660 video compact discs, and 20,780 CD-ROMs (read only memory).

The illegal products included pornographic material and pirated copies, often low quality.

Books destroyed totalled 29,280 pieces, with pirated ones accounting for 64 per cent.

"These efforts have played a key role in cleaning up the publishing market," said Yuan.

Agriculture

*PRC: Effect of Continued Sugar Smuggling Reviewed

96CE0154A Beijing JINGJI CANKAO BAO
in Chinese 1 Feb 96 p 2

[Article by Yin Lijuan (3009 7787 1227): "Sugar Smuggling Bad for Domestic Industry, Consumers, and Tax Collectors"]

[FBIS Translated Text] A drop in output during the 1994-95 sugar cane pressing season resulted in supply shortages and skyrocketing prices, which, in turn, has opened China's door to a flood of smuggled sugar.

Smuggling in the Guise of Processing

An investigation group jointly put together by the National Antismuggling Leading Group, China Federation of Light Industries, Ministry of Internal Trade, Ministry of Foreign Trade and Economic Cooperation, and the General Administration of Customs rushed to Guangdong and Guangxi in June 1995 to

launch an investigation. It was found that between January and May 1995 the foreign economic relations and trade departments of the province and autonomous region reviewed and approved 91 sugar processing and trade contracts involving a total of 2,182,000 tons. Of these 91 contracts, Guangdong Province accounted for 10, involving 752,000 tons (seven were processing-with-materials- provided contracts, involving 529,000 tons; three were processing-with-purchased-materials contracts, involving 223,000 tons), and the Guangxi Zhuang Autonomous Region had 81 contracts involving 1.43 million tons (71 were processing-with-materials- provided contracts involving 1,174,000 tons and 10 were processing-with-purchased-materials contracts, 252,720 tons.)

Altogether 1,685,500 tons of unrefined (white) sugar had either passed through the ports in the province or autonomous region or arrived at the ports, but were not released, with Guangdong accounting for 734,500 tons and Guangxi, 951,000 tons. However, of this volume of sugar imported for processing, the re-exporting of only 66,000 tons can be verified. Customs services in Guangdong and Guangxi have so far uncovered nine cases in which a total of 620,000 tons of unrefined sugar imported purportedly for processing purposes ended up on the domestic market. (The breakdown by province: Guangdong, six cases, 520,000 tons; Guangxi, three cases, 99,000 tons.) The sugar had a price tag of 2.86 billion yuan and the government was cheated out of 1 billion yuan in unpaid taxes.

Sugar Smuggling Not Abating

Extensive sugar smuggling into China has been given a lot of attention by the government and appropriate measures have been taken by the State Council departments concerned. Orders and prohibitions notwithstanding, sugar smuggling has not abated in some localities and sectors. On the eve of the 1995-96 sugar-refining season and just as new sugar is about to hit the market in large quantity, smuggled sugar continues to enter China through various ports. Unlike gold, heroin, cigarettes, and automobiles, people from the sugar industry point out, sugar must be shipped in bulk, at least 10,000 tons per ship. And the ships must dock at a port with 10,000-ton berths, the kind of port where customs has a presence. Besides, it takes at least 10 days to unload 10,000 tons of sugar, which rules out the possibility of smuggling at sea. That the smugglers would engage in smuggling activities openly and brazenly by sending one 10,000-ton vessel after another into Chinese ports, all loaded with unrefined sugar, certainly gives us much food for thought.

Smuggled Sugar Highly Pernicious

The flood of smuggled sugar entering China does the country enormous harm. For one thing, it deals a heavy blow to the domestic sugar industry. Since the smugglers don't have to pay import tariffs, the cost of a ton of smuggled sugar is only 3,650 yuan. The smugglers dump their goods on the market at low prices, driving down the domestic sugar price from 5,000 yuan per ton in March to the current 4,500 yuan per ton. Finding a buyer for sugar became a challenge just as the new sugar pressing season was about to get under way. At Guangxi's 1995-96 new pressing season sugar-ordering convention on 25 October 1995, orders were placed for a mere 120 tons of sugar by the 700 people present, typically at prices lower than the guiding price announced by the State Planning Commission for this year. Sugar output during the 1995-96 sugar refining season is projected to reach 6.53 million tons. If sugar prices continue to drop, the nation's entire sugar-refining industry will lose money, sugar refineries will be forced to lower the prices at which they procure sugar crops, and peasants' enthusiasm to grow sugar crops will take another hit, which will directly retard the development of the domestic sugar industry. Second, the entry of unrefined sugar straight into the market constitutes a threat to the physical well-being of consumers. Unrefined sugar contains harmful substances and bacteria. Smuggled unrefined sugar directly released on the market without processing is a hazard to the consumer's health. Third, a huge amount of revenue is lost. Based on the current tariff rates, about 1,500 yuan in tariffs and value-added tax is payable on each ton of sugar, which means that the government was cheated out of more than 1 billion yuan worth of taxes on just the 70,000 tons of smuggled sugar uncovered by customs this year. Revenue losses suffered by the government in other smuggling cases that have not come to light are inestimable. In response, people in the sugar industry have proposed that foreign economic relations and trade agencies immediately suspend the examination and approval of all applications to import sugar purportedly for processing purposes; that customs services step up the monitoring and inspection of unrefined sugar imported for processing purposes that has remained in China for extended periods of time and strictly prohibit their sale on the domestic market; and that law enforcement agencies such as customs, public security, and industry and commerce administration intensify their investigation of sugar smuggling and strictly prevent the direct consumption of unrefined sugar by the public.

*PRC: Gansu Reports Grain Procurement Figures
96CE0186C Lanzhou GANSU RIBAO in Chinese
18 Feb 96 p 1

[FBIS Summary] As of 20 January, Gansu Province had put 682 million kilograms of contracted grain in storage, fulfilling 91.45 percent of the task, of which 513 million kilograms were wheat, fulfilling 96.24 percent of the wheat task.

*PRC: Sugarcane Market Deregulation in Hainan Viewed

96CE0141A Beijing ZHONGGUO WUJIA [PRICES IN CHINA] in Chinese Dec 95 No 12, pp 20-23

[Article by He Xiangrong (0149 4161 2837), Deng Xinseng (6772 3450 3932), and Chou Zhiyu (0092 1807 1342), Hainan Price Research Institute: "Problems Hainan Faces in Deregulating the Sugarcane Market, and Ways To Solve Them"]

[FBIS Translated Text] In 1993, Hainan Province began a sugarcane market deregulation policy in cane growing areas in order to make better use of cane output and to promote the development of the sugar industry. It demolished administrative region boundary lines, disallowed the setting up of highway checkpoints, and permitted sugar mills and sugar growing peasants freedom of choice. This policy meant that cane growing peasants no longer had to find a sugar mill at cutting time, that drivers did not have to be found to haul cane, that no efforts were made to belittle cane quality during inspections in order to pay a lower procurement price, and that no IOUs were issued for cane. Peasant interest in growing cane rose as a result. Nevertheless, some new problems and difficulties also appeared, which were manifested in the following:

I. Cane production slid sharply. In 1994, the whole province grew only 67,299 hectares of cane, down 15,848 hectares from the 83,147 hectares of 1993 in a 19.06 percent decline. In 1994, cane output totaled 2,941,400 tons, 657,700 tons less than the 3,599,100 tons of 1993 in an 18.27 percent decline. The reduction in cane output meant that most sugar mills in the province were not fully employed. During the 1994-1995 crushing season, 31 sugar mills crushed cane with crushing beginning at the earliest on 8 November 1994. By the end of January 1995, 27 mills had finished crushing, meaning that most sugar mills produced sugar for only 50 some days. The normal production period ranges between 100 and 120 days. The mills crushed 1.79 million tons of cane during the crushing season producing 176,800 tons of sugar, for a 9.94 percent sugar output rate. This was a respective 22 percent, 26.7 percent, and 0.156 percentage points less than during the

last previous crushing season, and 49.7 percent, 53.52 percent, and 1.32 percentage points less than the all-time high set during the 1992-1993 crushing season.

Main reasons for the tremendous decline in sugarcane were as follows:

1. Low comparative returns from sugarcane caused a decline in peasant interest in growing cane. Comparative economic returns from planting sugarcane and other crops were as follows: a net output value of 682.75 yuan per mu for sugarcane, or a net return of 448.79 yuan; a net output value of 2,565.73 yuan per mu of pepper, 3.76 times the return from a mu of sugarcane, and a net after-tax return of 1,550.21, which was 3.45 times the net return from sugarcane; a net output value of 1,118.35 yuan per mu of coconuts, 1.64 times the return from a mu of sugarcane, and a net after-tax income of 902.77 yuan, or 2.01 times the net amount from sugarcane; a net output value of 2,551.92 yuan per mu of bitter melon, or 3.74 times the figure for sugarcane, and a net after-tax net income of 1,926.03 yuan, or 4.29 times the amount from sugarcane; a net output value of 2,420.01 yuan per mu of betel nut, or 3.45 times the return from a mu of sugarcane, and a net after-tax income of 1,667.98 yuan, or 3.72 times the amount from sugarcane; and a net output value of 1,199.57 yuan per mu of peanuts, 1.76 times the return from a mu of sugarcane, and a net after-tax income of 849.37 yuan, or 1.89 times the amount from sugarcane. The above figures show that sugarcane produces the lowest return of all cash crops. In a market economy, which is driven by profits, naturally the peasants want to give up growing low return sugarcane. In 1994, Danzhou City revamped its agriculture, allocating 5,000 mu of land (most of it sugarcane fields) to the growing of other crops, particularly fruits.

2. The delayed effect of the cheating and harm done to the peasants, and of overly low sugarcane procurement prices during the past several years hurt peasant interest in growing cane, causing a major slide in sugarcane output during 1993 and 1994. The peasants report unhealthy tendencies at sugar mills during the past several years. Every step of the way from obtaining a cane cutting order, to hauling the cane, to weighing the cane, to removing debris, to collecting money from the mill has been a hassle for them. Every load of sugarcane (seven or 10 tons) means paying anywhere from 10 to as much as 100 yuan for hauling, weighing, scheduling, quality inspection, and quality guidance fees. The peasants say, "Every joint of cane that comes out of the ground is sweet, but every joint that is cut and sent to the mill is bitter. It really is spending money to buy aggravation." Consequently, the peasants do not want to grow sugarcane. The writer learned from a visit

to Danzhou City and Qing Town that sugarcane is one of the three mainstay industries there, highest output reaching 30,000 tons. During the 1993-1994 crushing season, the mills changed their way of dealing with the peasants, and the government also raised sugarcane procurement prices. This stimulated the peasants to grow cane once again, but it takes three years for cane to reach maturity. The peasants have not reserved enough land even to grow grain; the cane growing area cannot be increased. The delayed effect of the harm done to the peasants means that sugarcane output prospects for 1996 offer no cause for optimism. Reportedly, Danzhou's grain output for the year will total 900,000 tons, but its five sugar mills need at least 1 to 1.2 million tons for full production. Danzhou alone has a shortage of between 100,000 and 300,000 tons, and the same problems also exists in other cane growing cities and counties such as Chengmai, Ledong, and Changjiang. Clearly, the shortage is severe. The possibility of a sugarcane procurement war cannot be ruled out.

3. During the past two years, sugar sold at the market price, but sugarcane sold at the planned price, and the two prices fluctuated at different rates. Sugarcane growing peasants report that during the 1992-1993 crushing season, sugar sold for 2,100 yuan per ton, and cane sold at an average 120 yuan per ton. During the 1993-1994 crushing season, the price of sugar shot up to between 2,500 and 3,500 yuan per ton, but the price of cane was only 140 yuan per ton (including the fertilizer allowance). A ton of cane fetched a profit of only 20 yuan. Only during the 1994-1995 crushing season did the plan price of sugarcane rise from 170 yuan to approximately 220 yuan per ton, thanks to deregulation of the cane markets in cane growing areas. The peasants say, the price of sugar changes with the market; no matter how expensive, it can be sold. But the price of sugarcane is fixed for the year; no matter how cheap, it has to be sold. The government is killing the goose that lays the golden eggs; the peasants have no choice, but not to grow cane.

II. Honoring fixed price sugarcane procurement and marketing contracts is a problem. Following deregulation of dealings in sugarcane in cane growing areas, sugarcane can be bought and sold anywhere in the province. In order to protect their sources of supply of cane, most sugar mills sign cane procurement and marketing contracts with cane growing peasants and some contracts are even notarized. Nevertheless, very few contracts are honored. Statistics show the actual amount that a sugar mill crushes is only between 55 and 85 percent of the contracted amount. If the cane not covered by a contract that is included in the amount crushed is deducted (an amount that cannot be figured with certainty), the

rate at which contracts are honored is even lower. Virtually none of the cane is bought and sold at the contract price. The actual procurement price is higher than the contract price. A survey of sugar mills in Danzhou City, Changjiang County, Ledong County, and Chengmai County shows that contracts play virtually no role at all today in the buying and selling of sugarcane. They are like scraps of paper that cannot be enforced, mostly because of price problems, i.e., the clash between the fixed price of sugarcane, which is governed by planning, and deregulation of the sugarcane market. Contracts are not honored nowadays when the legal system is not firmly based. For example, during the 1994-1995 crushing season, the fixed contract procurement price ranged from 160 to 180 yuan per ton everywhere, but the market price averaged 210 to 220 yuan per ton. Abiding by the contract would mean a loss to the peasants of from 30 to 60 yuan on each ton of cane. In order to protect their own interests, naturally the peasants were unwilling to abide by the contract. Of course, the inability to honor contracts is related to the peasants being driven by market profit and poor understanding of the legal system.

III. Sugar cane market competition is disorderly, sugar mill management is poor, costs are high, and competitiveness is low. The sugar mill process from cutting to hauling, to crushing, and to producing sugar is highly scientific and systematic. Upset of the orderly flow following sugarcane market decontrol increased sugar mill transportation costs, and created a certain amount of disorder in the cutting, transportation, and crushing process. During the 1994-1995 crushing season, for example, sugarcane was in seriously short supply. All the sugar mills eyed each other covetously, and they crushed all the cane they could get no matter whether it was mature or not. Some mills began crushing in early November. Most of the mills in Chagen and Juding, for example, began crushing in mid-November. As a result, by mid-November, the time when cane is fully ripe and has the highest sugar content, most of the mills stopped crushing. During the high sugar content period, they had no cane to crush and their sugar output rate fell. In addition, since the peasants could select the sugar mill to which they would sell, they bided their time waiting for a rise in prices. As a result, the cane cutting chits that the mills issued in connection with their production plans did not bring in the cane according to plan. This forced the mills to issue chits in excess of plan to get whatever cane they could get. The unplanned, uneven way that cane reached the mills meant crushing had to be suspended at times. A survey of 10 sugar mills in Hainan Province shows that during the 1994-1995 crushing season, no crushing was done on an average of seven of

the plants' 50 full production days. Each halt created mill losses of between 30,000 and 60,000 yuan.

In addition, deregulation of the sugarcane market drove the mills, which had always enjoyed policy protection, to the market; it also intensified their internal management problems. The Danzhou City Industry Bureau reported that the city's five sugar mills employed 3,400 people, and paid as much as 23 million yuan in bank loan interest each year. Such a large number of personnel and heavy burdens means high sugar production costs. Although the price of sugar had risen continuously for the past two years, the mills made only a tiny profit, or even lost money. Sugar refining is seasonal in nature. The crushing season lasts only three or four months. When the crushing season is over, most employees are furloughed except for a small number of employees needed to produce small amounts of multiple use products, and to inspect and maintain equipment. But the employees still have to be paid a basic wage all year long. This basic wage has to be factored into sugar production costs. Were it possible to make full use of the mills' plentiful manpower, thereby saving this expense, the cost of making sugar could be reduced by about 200 yuan per ton.

IV. Poor planning of cutting, transportation, and crushing causes a waste of resources and a rise in expenses that make it difficult for sugar mills to raise economic returns. This waste shows up particularly in the following ways: First is a decline in the sugar content of sugarcane. Immature cane, and differences in the ripeness of sugarcane cause a decline in the sugar content of sugarcane, and the sugar output rate. During 1994 and 1995, the sugar output rate declined half a percentage point from normal (it has been approximately 10.5 percent in recent years). Figured at the 1.79 million tons of the last previous crushing season, this means a 8,950 ton decrease in sugar output. At 4,400 yuan per ton, this amounts to 39.38 million yuan, or a more than 3.58 million yuan decrease in value added taxes. Second, long hauls of sugarcane increase transportation costs. Approximately 324,000 tons of the 1/8 million tons of cane crushed in the 1994-1995 season came from outside the usual cane growing area. This added 5.83 million yuan in shipping and sundry expenses, plus expenses occurred when the mills dispatched vehicles that were unable to obtain cane and had to return empty. Third is losses resulting from work stoppages. During the 1994-1995 crushing season, work stoppages were several times higher than normal and increased costs by several million yuan.

V. Sugarcane market deregulation hurt sugar mill interest in supporting cane farming. Bank loans are needed to develop cane production. Anxious to recover their

loans, banks are willing to lend money only to sugar mills, but not directly to peasants. When dividing up the cane growing area, the mills make loans to the peasants to grow cane. They can recover the loans when they purchase the cane. Consequently, the mills are happy to get loans from banks to support cane growing. Now that the sugarcane market has been deregulated, some cane growers dodge loan repayment. They purposely sell their cane to mills from whom they have received no loans. Thus, a situation has come about in which the more money a mill loans to support cane growing, the less cane it gets. In addition, the roads go unrepaired because the mills provide no support and assistance inasmuch as they cannot depend on sources of cane.

VI. Cane field deregulation clashes with the prevailing tax contracting system. Sugar industry tax payments and profits are the main sources of city and county revenues. Although the movement of cane between cities and counties has no effect on the province's revenues as a whole, it does have a substantial effect on the revenues of individual cities and counties. Take Dingan County, for example. During the last previous crushing season, approximately 80,000 tons of cane left the county. This reduced the county's tax revenues by an estimated 4.9 million yuan. Therefore, the authorities concerned in important cane producing cities and counties such as Danzhou, Chengmai, Changjiang, and Ledong are very worried.

Cane production and the sugar industry are traditional industries in Hainan Province, and they are also an important source of income for both the peasants and local treasuries. The tremendous slide in cane output and the widespread losses of the sugar industry are bound to have an extremely great impact on Hainan's economy and the people's livelihood. How to contain the trend toward a skid in sugarcane output and solve difficulties and problems in the wake of cane growing area deregulation are major issues facing us.

After much investigation and study, the writer concludes that during the present special period of transition from a planned economy to a market economy, we cannot simply pin our hopes on the self-regulating role of the market. We must also intensify government macroeconomic regulation and control, using administrative, economic, and legal means for gradual regularization of cane markets to make them develop healthily and normally.

I. While making sure that the interests of all are served, we must set reasonable cane procurement prices. A review of the history of cane production and sugar mill production shows that failure to adhere to the principle of satisfying the interests of all accounts for the wild swings that have occurred. When sugarcane is plentiful,

the mills force down prices and cheat the peasants. This sets off a slide in cane production. When cane is scarce, the peasants wait for a better price before selling. The mills' resulting losses stem not from the higher price they must pay to buy cane, but from not being able to get enough of it. Their losses stem from inability to realize the economies of scale.

In 1995, Zhanjiang City in Guangdong Province decided on a floor price for cane procurement during the 1995-1996 crushing season. It also allowed the price of cane to rise and fall with the price of sugar, and placed no ceiling on prices. This policy, which linked the price of cane to the price of sugar with prices of both fluctuating in unison, bound together the interests of the workers and the peasant. Hainan might consider doing the same thing. This practice ensures that when the price of sugar rises, the peasants also benefit, and when the price of sugar falls, both the peasants and the sugar mills bear losses in common. No longer would a situation recur like that of 1992 when the mills benefited but the peasants were cheated and hurt.

II. More must be done to police contracts, to educate the peasants in the legal system, and to purchase cane according to law to ensure that sugar mills can plan production in an orderly way, and avoid situations in which the peasants are cheated when cane is plentiful, and the mills elbow each other to buy when cane is scarce. In the operation of the economy, the use of economic levers to intervene in the economy is an important device that the government employs for macroeconomic regulation and control. Therefore, sugarcane procurement contracts must be policed well, vigorous actions taken to ensure that contracts are honored: (1) Contracts should be standardized, rights, obligations, and responsibility for violations spelled out. Prices, in particular, must take full account of the peasants' interests. Reasonable prices must be set so that peasants will not hold on to their cane to get a better price, or haul their cane great distances to sell it. This is fundamental to ensuring that contracts are honored without a hitch. (2) More must be done to educate the peasants in the legal system. Economic contract law study classes should be held regularly to increase the awareness of cane-growing peasants about law enforcement and abiding by the law. (3) During each crushing season, every city and county government must inspect how well cane procurement and marketing contracts are being enforced. They must punish severely contract violations publicly in order to educate the masses so that sugarcane production and marketing contracts will be genuinely enforced.

III. Sugar mills must be properly distributed geographically. Sugar mills must be located close to the sources of supply of raw materials. They must have a stable raw

materials production base. In Hainan Province, however, cane growing bases and sugar mills are not in the most rational locations. During the serious sugarcane shortage of 1995, The Haitou Sugar Mill in Danzhou City, which has a crushing capacity of only 800 tons per day, was surrounded by nearly 50,000 mu of sugarcane, while the Nada Sugar Mill with a production capacity of 200 tons per day had no guaranteed source of supply of cane. Much of this mill's main sugarcane producing areas, namely Nada Town, Lanyang Town, and Nanfeng Town, had either been taken over for a development zone, or had changed to the farming of cash crops such as fruits, melons, and vegetables in a readjustment of the agricultural system. This kind of imbalance in sugar production and cane farming worsens sugarcane shortages, and also upsets the sugarcane market and makes production disorderly. Therefore, the location of sugar mills must be changed, keeping those that can be kept, expanding the capacity of those whose capacity can be expanded, and arranging for a change into other lines of production of those having no sources of supply of sugarcane.

IV. Internal management of sugar mills must be improved to lower costs, to raise product quality, and to increase market competitiveness. Let us use the costs (exclusive of taxes) of several sugar mills during the 1994-1995 crushing season for purposes of comparison. Costs were 2,704.11 yuan at the August 1 Sugar Mill, 3,434.112 at Honghua Sugar Mill, 4,200 yuan at Laocheng Sugar Mill, and 4,518 yuan at Liguó Sugar Mill. All the mills faced a rise in cane prices, shortage of supply of sugarcane, and lack of planning of sugarcane production; nevertheless, these major differences in sugar refining costs existed among these several mills. An overwhelming majority of the mills show potential for improving internal management, and lowering costs. The August 1 Sugar Mill's Assistant Manager Xu told the writer: "The August 1 Sugar Mill is in an unassailable position in market competition. During the 1994-1995 crushing season when the sugar industry as a whole lost money, this mill realized 17 million yuan in profits and taxes."

V. Government must actively assist sugar mills. It must work with the mills to explore new avenues for the development of sugarcane production and promptly publicize experiences gained in expanding production. One of the glaring problems in sugarcane production in Hainan Province today is the shortage of sugarcane. Second, production is unplanned in the wake of cane area deregulation. We cannot pin hopes on tremendous expansion of the cane growing area to solve the sugarcane shortage when the amount of arable land is limited, and when no major improvements can be made in the price ratio

between sugarcane and other cash crops. Instead, we must take effective actions of various kinds to improve sugarcane yields per unit of area with sugar mills providing major support. The Changjiang Sugar Mill and the Liguó Sugar Mill have both followed a course in this regard that merits emulation. In 1993, the Changjiang Sugar Mill began to encourage its staff and workers to operate cane growing bases. Today, they are running a 20,000 mu cane growing base that belongs to the mill that can provide 40 percent of the mill's needs. Furthermore, sugarcane yields per unit of area are more than 40,000 tons, which is higher than the average for the province. In 1994, Liguó Sugar Mill began to operate a base. Today, it has a base totaling nearly 10,000 mu, and it is preparing to reclaim 12,000 mu of wasteland to grow sugarcane. It is estimated that the mill will be self-sufficient in sugarcane by the 1996-1997 crushing season. Thanks to the mill's close attention to the economies of scale in growing cane and good field management, the base produces yields of more than 6.5 tons.

The key to solving the lack of planning in sugar mill production lies in managing the cane-growing peasants. In the past, both in defined cane growing areas, and in deregulated cane growing areas, the mills have always had to face peasants from countless households in the signing of procurement and marketing contracts. Should disputes occur, taking them to court was useless. The writer found during his survey that with deregulation of the cane growing areas, the mills continue to experience both weal and woe. The main reason that the August 1 Sugar Mill, which is part of the land reclamation system, realized profits and taxes of 17 million yuan during 1995, improvement of management aside, was that the August 1 Farm provides one-third of its sugarcane. When the mill buys this sugarcane, it deals with the farm collective, not with individual peasant households. The Liguó Sugar Mill feels very hopeful because it is running its own base, and because it has contracted cane growing to a small number of specialized households. For example, in 1995, when it operated an 800 mu pilot project, it contracted with just four cane growing households. The great reduction in the number of peasant households dealt with makes granting loans and recovering them, and cutting and hauling sugarcane much easier. Meanwhile, other mills that depend on townships and towns to encourage peasants to grow cane feel powerless in dealing with numerous cane growing peasants who are difficult to organize and control. In short, finding economic means to exercise collective control over cane growing peasants is a priority concern of the sugar mills.

PRC: Henan Farmers Tackle Water Conservation Projects*OW1503024396 Beijing XINHUA in English
0217 GMT 15 Mar 96*

[FBIS Transcribed Text] Zhengzhou, March 15 (XINHUA) — Farmers in central China's Henan have completed thousands of small water conservancy projects in the drought-plagued province.

So far, local governments in the province have sold or leased such projects to 109,000 individuals, organizations and enterprises. These individuals then set up "water companies" to manage these projects.

In the past two years, such companies have invested 300 million yuan to start or upgrade water-conservancy projects.

The 3,700 water companies in Tongbai County invested 18 million yuan last year. The sum is more than three times the total earmarked for water conservancy by the government over the past five years, a local official said.

Shangqiu County is building motor-pumped wells with money it made by selling old wells to water companies. So far, the county has built 5,600 wells in this way.

PRC: Agriculture Scale Management in Jiangsu, Jiangxi96CE0143A Beijing ZHONGGUO WUJIA [PRICES
IN CHINA] in Chinese Jan 96 No 1, pp 22-26*

[Article by Lu Nan (6424 0589) and Han Yongxun (7281 3057 6676): "Scale Management May Solve Agricultural Problem"]

[FBIS Translated Text] Agricultural Scale Management as Necessary in Jiangxi as in Southern Jiangsu

Southern Jiangsu is well-known as home to the most developed township and town enterprises in the nation. In contrast, township and town enterprises in Jiangxi are still rather underdeveloped. The secondary and tertiary industries in southern Jiangsu have absorbed not only the local surplus agricultural manpower, but also a large number of nonlocal redundant farm workers, making southern Jiangsu one of the primary destinations for peasants from the rest of Jiangsu and other provinces who leave home in search of work. Conversely, Jiangxi Province is one of the originating points of large numbers of job-hunting peasants on the move in China. The emergence and development of scale management in agriculture in Jiangxi and southern Jiangsu is a response to the needs of the times. Examples: a peasant household in Dainong Village in Linchuan County, Jiangxi Province, has contracted to farm 70 mu of farmland from other peasant householders in the village

who, having lost interest in working the land, have gone job-hunting elsewhere; in Qingshan Village in Yujiang County, a peasant household is under contract to farm 19.2 mu of responsibility farmland for six households whose members have left to work in other places, in addition to its own 5.6 mu of responsibility land, for a total of 25 mu; and in Jianghang Village in Nanchang County, three peasant households have contracted to work 185 mu of land reclaimed from a lake more than 40 kilometers from the village, of which 103 mu are operated by just one household.

Southern Jiangsu is in the process of adopting a two-farmland system, that is, grain ration farmland and responsibility farmland. In townships and towns that have already adopted the two-farmland system, each person from a peasant household in the countryside has 0.35-0.4 fen of land, with the rest of the farmland under scale management. Typically scale management either takes the form of a village-run farm or involves having a large farming household work the land under contract. A village-run farm usually has 200 mu of land while a large farming household generally works between 20-30 and 50-60 mu of land, with a few operating as many as 100 mu. A large farming household may consist of local peasants or peasants from outside. Similarly, there are both locals and nonlocals among workers on village-run farms. There were 75,000 mu of farmland under scale management in Jiangyin County at the end of 1995, 14.8 percent of the 505,700 mu of farmland in existence in late 1994. Four villages in Jiangyin Shi — Huaxi, Sanfanghang, Yanshan, and Huayuan — have adopted the "one-farmland" system, putting all their farmland under scale management. A survey was conducted on all 650 peasant households in Yanshan Village in Yuecheng Township in 1991. Apart from one household, nobody wanted to continue to farm the land. Operating on that knowledge, the village handed over all its farmland — 1,020 mu — to nine nonlocal peasant households for the latter to farm under contract. Each contracting household cultivates 113 mu of farmland on average.

In Jiangxi, large farming households under contract to work the land are required to pay compensation akin to a land tax. In economically prosperous villages in southern Jiangsu, it is not necessary for the villages to pay compensation to those peasant households who used to farm the land in the past. Nor did the movement to consolidate this portion of responsibility farmland run into resistance. However, in those villages with sluggish economic growth and erratic earnings from secondary and tertiary industries, peasants have balked at giving up their claims to farm the land. Peasants in these villages need "double insurance"; when their incomes

from the secondary and tertiary industries drop, they have to fall back on responsibility farmland to make a living. Besides, now that grain prices have been adjusted upward in the past two years, farming generates a decent economic return, which also explains the peasants' reluctance to give up this source of earnings casually. In these villages, therefore, the transfer of land use right comes with a price. After all farmland in Yanshan Village came under scale management, each villager was allocated 190 kg of grain for personal consumption at 0.79 yuan per kg, including 150 kg of husked rice and 10 kg of polished glutinous rice. The gap between this price and the price at which the village procured rice from the large farming households, which was 1.46 yuan per kg, was covered with a subsidy from the village. In effect, this subsidy was a kind of compensation to the villagers for giving up their right to farm the grain ration farmland.

2. Production Costs of Agricultural Products Under Scale Management

Village-run farms and land operated by large farming households under contract usually contain poor soil and are remotely located. As a result, their costs in terms of labor and material inputs are higher while their yields are lower. According to a survey by the price bureau of Wujin Shi in Jiangsu, the three large farming households harvested a late-rice crop of 535.5 kg per mu in 1994, off 28 kg from the 603.5 kg of late rice per mu harvested by three ordinary peasant households. Material inputs cost a large farming household 366.47 yuan per mu, 201.9 yuan more than what the ordinary peasant household spent. It cost the large farming household 37.16 yuan to produce 50 kg of late rice, 16.84 yuan more than what it cost the ordinary peasant household, which was 20.32 yuan. According to a study conducted by the agricultural labor department in Xishan Shi, in 1994 village-run farms harvested 530.9 kg of late rice per mu; large farming households, 530.4 kg per mu; and ordinary peasant households, 534.5 kg. Material inputs per mu ranged from 212.75 yuan in the case of a village-run farm to 170.16 yuan for a large farming household to 140 yuan in the case of an ordinary peasant household, while labor costs (including money used to hire farm hands as well as one's own sweat equity) were 202.79 yuan for a village-run farm, 209.17 yuan for a large farming household, and 137.55 yuan for an ordinary peasant household. Total costs per mu, therefore, were 415.54 yuan for a village-run farm; 379.33 yuan, a large farming household; and 277.55 yuan, an ordinary peasant household.

In southern Jiangsu, especially in villages and townships with developed secondary and tertiary industries, farm

machinery expenses, which make up part of the agricultural production costs, only include the wages paid by the farm machinery station, fuel costs, and routine repair and maintenance expenses. Not included are the depreciation charges of farm machinery and major repairs, not to mention the costs of constructing water conservancy works. Because of these exclusions, the numbers on agricultural production costs tend to be on the low side. Constrained by the level of wages of casual workers, the villages find themselves with little maneuvering room in deciding how much to charge for the use of farm machinery such as the tractor for use in plowing, rice transplanter, and harvester. In Wujin Shi, the three large farming households pay workers 30.7 yuan to transplant a mu of rice seedlings, 80.17 yuan to harvest a mu of rice (including reaping and threshing), and 9.49 yuan per mu to do miscellaneous chores. In Gutang Village in Gushan Township in Jiangyin Shi, farm machinery is available for use at the following rates: combine harvester, 40 yuan to harvest a mu of wheat and 80 yuan to harvest a mu of paddy; tractor, 20 yuan to plow a mu; and trench digger, 15 yuan per mu. The going rates in Xiangyang Village in Huashi Township are: combine harvester, 50 yuan to harvest a mu of wheat and 100 yuan to harvest a mu of paddy; transplanter, 50 yuan to transplant a mu of seedlings; tractor, 25 yuan to plow a mu; and trench digger, 12 yuan to dig a mu. Xiangyang Village has even centralized the plowing, sowing, chemical fertilizer application, crop protection, and harvesting of the peasant households' grain ration farmland. As for seedling transplanting, the peasant households may choose to do it themselves or have it done centrally at these rates: two crops of wheat, 550 yuan per mu, and two crops of rice, 600 yuan per mu, which works out to be 35 yuan per 50 kg of wheat and 38 yuan per kg of rice.

Before grain prices were raised, townships (towns) and villages in southern Jiangsu directly subsidized the prices of grain procured under contract. Now direct subsidies have been abolished. Instead investment in farmland capital construction has increased, more money is being spent to purchase farm machinery, and more funds derived from industry are being used to aid agriculture. Inputs come from all three levels — municipality (county), township (town), and village. The objective is to improve the agricultural infrastructure and accelerate agricultural mechanization. In Xishan Shi and Jiangyin Shi, in fact, plowing has long been mechanized, wheat is now being harvested by machine, and the mechanization of rice harvesting too is quite widespread.

3. Profits From and Income Distribution Under Agricultural Scale Management

Compared with the ordinary peasant household, agricultural scale management in Jiangxi and southern Jiangsu has to cope with slightly higher production costs per mu as well as higher costs per unit output. However, since its scale of operations is larger, the operator should still manage to turn a handsome total profit. Besides, grain prices have been surging in the last two years, greatly releasing the enthusiasm of large farming households. As noted above, a large farming household in Qingshan Village in Yujiang County, Jiangxi, grows grain on all 25 mu it has contracted to farm. Its income from grain cultivation (after deducting agricultural tax paid in grain) was 9,500 yuan in 1993 and 17,800 yuan in 1994. Its net income after deducting miscellaneous expenses was 5,050 yuan in 1993 and 11,400 yuan in 1994. The peasant believes that there is "money to be made in growing grain." The large farming household in Dainong Village in Linchuan County reported a favorable balance of 27,774 yuan from growing grain in 1994, with 2,750 kg of grain to spare and 80 pigs of all sizes on hand. The householder is full of confidence and plans to farm a larger area still. The three large farming households in Wujin Shi, Jiangsu, earned an average of 23,807 yuan net from growing rice in 1994 and expect to make a larger profit still in 1995, probably over 30,000 yuan per household. One householder with 44.5 mu of land under contract said he would like to expand his operations.

The village-run farm in Huanghang Village in Huazhuang Township in Xishan Shi operated 222 mu of farmland in 1995, up from 106 mu in 1994. Back then it had a balance of 86,146 yuan available for distribution. Of this amount, 30,388 yuan was set aside as farm accumulation and the balance of 55,758 yuan was distributed among farm workers, which worked out to be 9,293 yuan per person, 49 percent higher than the income of the employees of other enterprises in the village. In 1995, there was a balance of 185,259 yuan available for distribution. Of this amount, 63,999 yuan was farm accumulation and the balance of 121,260 yuan was distributed among farm workers, or 10,105 yuan per person.

Xishan Shi has made some projections about the income distribution of the village-run farms in two townships for 1995. After subtracting the expenses for growing two crops of wheat or rice from earnings, the after-tax net income would be 613.4 yuan per mu. Then there are village collective accumulation and contributions to the production development fund, the welfare fund, the farm director fund, and distribution reserve fund, leaving 490.19 yuan available for distribution per mu, or

4,550,800 yuan in all. Of this amount, 2,026,600 yuan is paid to the farm directors as compensation, or 31,665.7 yuan each, and 2,524,300 yuan is paid to farm workers as wages, or 6,326.48 yuan each on average. A farm worker earns slightly more than his counterpart at a township or town enterprise. During the slack season, moreover, the farm worker can supplement his income by engaging in sideline production. Thus there is a good deal of enthusiasm on the part of both farm directors and farm workers to operate farms.

Jiangyin Shi has worked out the following numbers on the incomes and expenditures of scale management units in 1994: Income per mu, 877 yuan, and costs per mu, 430 yuan, yielding a net income of 447 yuan per mu. Subsidies by the township and the village amounting to 49 yuan per mu on average boost the per-mu net profit for a large farming household to 496 yuan, for a total of 26,030 yuan per household on average. Comrades in the field have also calculated that a large farming household could expect to net more than 500 yuan each mu from harvesting two crops of rice or wheat in 1995, giving it a total net profit of almost 30,000 yuan.

4. Advantages of Agricultural Scale Management

As far as Jiangxi and southern Jiangsu are concerned, the realization of agricultural scale management offers these advantages:

1) It is an effective way to utilize China's precious farmland resources and cut down on farmland abandonment. Most of the farmland under scale management in many villages is rather poor in quality and remotely located. The peasants did not want to spend time and effort farming it, and the result was abandonment and semi-abandonment of farmland. After the introduction of scale management either by a village-run farm or by a large farming household, inputs have gone up. Their painstaking management has transformed the land and boosted crop output. They are also more ready to learn and apply new technology to raise per unit area yield and improve earnings.

2) At a time when a set portion of the grain harvested is procured by the state, agricultural scale management makes it easier to accomplish the task of state grain procurement. Both village-run farms and large farming households in southern Jiangsu know full well that the villages turn over the management of responsibility farmland to them in order to accomplish the task of state grain procurement. This is their responsibility and obligation to the villages and they know it. In this sense scale management facilitates the completion of grain procurement tasks. Concentrating procurement tasks among a few farms or large farming households

frees township (town) and village cadres from the chore of urging each and every peasant household to sell grain to the state in accordance with the contract, in the process reducing conflicts. In Jiangxi too, large farming households typically accomplish their grain procurement task without a hitch. What problems that do exist arise from the fact that when peasants transferred contractual farmland among themselves in private, they failed to specify clearly who is to be responsible for completing the grain procurement task. As a result, they end up passing the buck.

3) Scale management has enabled the commodity economy to develop in agriculture. Both village-run farms and large farming households will depart from the natural economy and become commodity producers and operators. They produce in order to sell or, shall we say, to meet a market demand, not for their own consumption. Moreover, as commodity producers and operators, they are solely responsible for their own profits and losses. Accordingly, they must take the market into consideration and be highly sensitive to market information, such as price information. If they are to become more profitable, they must pay attention to the market and practice strict budgeting, always watching the bottom-line closely. Only then can they trim spending and boost earnings.

4) Scale management helps Chinese agriculture avoid the fate of being gradually reduced to the status of household sideline production. In Jiangyin Shi, where secondary and tertiary industries have been flourishing, agriculture accounts for a mere 23 percent of the income of a peasant household and the proportion continues to decline. At a time when secondary and tertiary industries are the source of most of the earnings of a peasant household, agriculture will gradually be reduced to household sideline production if farmland continues to be farmed by each peasant household in a piecemeal fashion. And when agriculture becomes bona fide household sideline production, peasants will not spend most of their energies on it, the development of agriculture will be severely hindered, the commercialization of farm products will decline, and market shortages will appear.

5) Scale management helps improve the caliber of those engaged in agriculture. All the large farming householders and village-run farm directors we came into contact with in Jiangxi and southern Jiangsu are educated peasants who are technologically literate and managerially competent. Of all scale management contractors in Jiangyin Shi, for instance, 80 percent have a junior high education or above and 73.3 percent are under 45 years of age, the average age being 41. As scale management expands, the ranks of those

engaged in agriculture will be constantly reinforced by farming experts who are young, well-educated, and familiar with technology and who have an aptitude for management, thereby reversing the aging of China's army of agricultural workers and making the lack of successors and the poor quality of agricultural practitioners things of the past.

6) The development of scale management in agriculture is a road China must travel if it is to solve its agricultural problem. The fragmentation of farmland and the very small size of the plots hinder agricultural mechanization and the formation of proper irrigation networks and do not meet the needs of scientific farming or production socialization. In these respects, the only hope is to develop scale management in agriculture. Comrade Deng Xiaoping says, "Developing scale management and the collective economy as appropriate in order to meet the needs of scientific farming and production socialization" is the "second quantum leap" in the reform and development of China's socialist agriculture. Once Chinese agriculture accomplishes the "second quantum leap," it may be possible for agricultural productivity to catch up with nonagricultural productivity, peasants engaged in agriculture will prosper, and agriculture will become a modernized industry, providing the market with ample farm products, enough to meet the demand. When that comes to pass, the price problem of Chinese agricultural products will likely ease up once and for all. Agricultural scale management in southern Jiangsu gives us a glimpse of a modernized Chinese agriculture in its embryonic form and offers itself as the hope for solving the country's agricultural problem.

5. Requirements for Developing Agricultural Scale Management

1) One prerequisite for developing scale management in agriculture is the development of secondary and tertiary industries, particularly in townships and towns. Only when secondary and tertiary industries in townships and towns have taken off will they be able to absorb agriculture's surplus manpower, a point to which southern Jiangsu fully testifies. In Jiangxi too, agricultural scale management has its basis in the departure of rural workers from the villages in search of work in places where the secondary and tertiary industries are more developed. Thus the development of agricultural scale management must be based on one thing, namely the development of secondary and tertiary industries, particularly their development in townships and towns. The development of township and town secondary and tertiary industries in China has already turned more than 100 million peasants into township and town workers. In addition, tens of millions of job-hunting rural workers

have gone to cities. This is a prerequisite for the introduction of scale management in agriculture in many places. For this reason the realization of scale management is a protracted process. Agricultural scale management can come about ever so gradually only after secondary and tertiary industries have taken off across the nation.

2) It is necessary to conduct pilot projects in scale management, but it is also necessary to provide guidance and popularize the experiment. Southern Jiangsu is home to the most developed township and town enterprises in the nation, but even here years of experimentation were necessary before the region came up with the two major forms of scale management: collective management, epitomized by the village-run farm, and household management, represented by the large farming household. Right now the region is hard at work giving guidance to the peasants and popularizing the two forms. The various townships and villages in Xishan Shi and Jiangyin Shi have all drawn up plans to develop agricultural scale management. By and large, they start out by putting responsibility farmland under scale management before adopting it for all grain ration farmland as well as responsibility farmland. It seems that even more time will be needed before all farmland is brought under scale management. In terms of practical procedures, one can neither order its mandatory implementation by handing down an administrative decree regardless of the circumstances, on the one hand, nor just sit there and let an opportunity slip by, thus slowing down the march of scale management, on the other. Comrades in the agricultural labor department in Jiangyin Shi believe that it would have been much easier to consolidate the land and launch scale management around 1992 than now. The reason is that township and town secondary and tertiary industries were booming in the earlier period and agriculture was less profitable, with the peasants actually balking at cultivating the land.

3) Another requirement of agricultural scale management is the formulation of necessary laws and regulations. Agricultural scale management came about at a time when the people's commune has been abolished, when the responsibility system epitomized by the household responsibility system of linking remuneration to output is in effect, and when the right to use farmland has been distributed all the way down to each household. Scale management, especially scale management in crop growing, is essentially the reconsolidation of farmland use rights, making it imperative that the issue of the transfer with compensation of farmland be properly addressed. The rights, responsibilities, and obligations of the large farming household and the village-run farm after the transfer of farmland use right must also

be spelled out explicitly. For this reason, there is a need to work out the appropriate laws and regulations.

6. Suggestions and Demands of Village-Run Farms and Large Farming Households

1) Large farming households in Wujin Shi say that they are upset by the fact that in 1995 the contract procurement price was not announced until the day after they began harvesting the rice. The typical peasant household grows grain for its own consumption. In that case, the large farming households argue, it matters little what the level of grain prices is. For the large farming household, however, whether grain prices are up or down is of utmost importance as it directly determines its income. The announced grain contract procurement price for 1995 is still 70 yuan (50 kg) even as the prices of agricultural capital goods such as chemical fertilizers and pesticides have all been soaring. The large farming households are unhappy about this situation, but figure they have to put up with it since there is no room for negotiation. (Note: In 1994 the Jiangsu provincial government started paying out an antidrought fee at 16 yuan per 50 kg to subsidize the late rice crop. Add the fee to the contract procurement price of 54 yuan and the total comes to 70 yuan, which has remained unchanged for 1995. In addition, the Wuxi municipal government provides for another 3 yuan subsidy per 50 kg, bringing the late rice procurement price in the three counties in Wuxi to 73 yuan in all per 50 kg.) It seems that when it comes to farm products such as grain and cotton whose prices are set by the state, an effort should be made to announce the prices before spring plowing begins to better guide the peasants in their planting.

2) Large farming households in Wujin Shi relate to us their pleasure earlier at hearing that there was talk among provincial leaders about resuming the prepayment of deposits under the contract procurement system this year. However, nothing came of such talk. They approached the departments concerned and were told that there was no money. Nor was the Agricultural Bank making any agricultural loans. Since it takes money to farm the land, the households had no choice but to take out loans from people in the villages at high interest rates, up to 20 percent. The interest rates are killing them, the householders say. (No problem relating to agricultural loans has been reported in Jiangyin. Households there are able to obtain such loans in a timely manner.)

3) Large farming households in Yujiang County in Jiangxi demand that agricultural technology departments regularly visit them to provide technical guidance, help peasants use science and technology to vitalize agriculture, and further the extent of scientific farm-

ing among peasants to increase profits even as inputs are reduced.

4) Large farming households in Jiangxi hope that there is policy consistency and that the burden on peasants is lessened. Their counterparts in Qingshan village in Yujiang County are saddled with multiple village fees, which amounted to 910 yuan and 1,455 yuan in 1993 and 1994, respectively. On a per mu basis, the burden was 36.4 yuan in 1993 and 58.2 yuan in 1994, a 60 percent increase over the preceding year, accounting for 18 percent and 12.8 percent of the net income in 1993 and 1994, respectively.

5) The burden on peasants in southern Jiangsu, particularly those in prosperous villages and townships, is less than onerous as much of it has been taken over by secondary and tertiary industries. Besides, measures designed to use industry to subsidize agriculture, to build up agriculture, and to bring along agriculture have been in place for years. Jiangyin Shi will begin collecting a land-use fee from large farming households in 1996 at the rate of 50 yuan per mu, to be raised to 100 yuan in the future. Revenue generated by this fee is to be spent exclusively on capital construction to benefit agricultural scale management. Gushan Township also plans to collect a land-use fee from large farming households at 50 yuan per mu at the beginning, going up to 100 yuan in future years. The reason is that both the farmland infrastructure and farm machinery have been paid for collectively, so it is only reasonable for the large farming households to pay a use fee. The head of Gutang Village in the township sees it differently. In the past, he argues, large households had always been given direct subsidies as an incentive to farm the land. Now, not only have the subsidies been abolished, but the households are being told to pay 50 yuan per mu, which is more than they could afford. According to this leader, some households have already indicated that they would quit contracting if they have to pay 50 yuan per mu. Not only does the village have no plan to collect such a payment from the large households, but on the contrary it is proposing to give them a 50 yuan subsidy.

In our opinion, there is a case for collecting a certain amount of land-use fee. However, the land-use fee collected by the municipality must be combined with the ones collected by the village and township. It won't do for everybody to levy a fee. Another name for the

land use fee may be contracting fee. When it turns a profit, a village-run farm is required to pay collective accumulation to the village. Therefore we may look upon the contracting fee as accumulation collected by the village. (In Xishan Shi, a village-run farm pays collective accumulation at the rate of about 45 yuan per mu.) Revenue derived from the land-use fee (contracting fee) may be specifically earmarked to pay for farmland capital construction.

6) Cadres in Gutang Village in Jiangyin Shi say that under agricultural insurance standards set by the insurance companies, no compensation is paid out until after per-mu rice yield drops below 300 kg, a level they consider too low to generate any enthusiasm on the part of peasants to buy insurance. Since agricultural insurance is an important measure that helps ensure the continuation of agricultural production in the wake of a sharp drop in agricultural output brought on by a disaster, it should be adopted across the board. At what level should insurance compensation standards be set? That is indeed a major issue that warrants careful study.

***PRC: Xinjiang Reports Planned Grain Area**

96CE0186A Beijing JINGJI CANKAO BAO
in Chinese 28 Feb 96 p 1

[FBIS Summary] In 1996 the planned grain area in Xinjiang is 24 million mu, an increase of more than 60,000 mu over 1995, and gross output will reach 7.5 million tons, an increase of 200,000 tons.

In 1996 the planned cotton area is 11.8 million mu, gross output will reach 1,020,000 tons, an increase of 75,000 tons over 1995, and the procurement amount will increase by 2 million dan.

***PRC: Yunnan Farmer Income Increases in 1995**

96CE0186B Chongqing XINAN JINGJI RIBAO
in Chinese 14 Feb 96 p 1

[FBIS Summary] In 1995 per capita net income of farmers in Yunnan Province reached 1011 yuan, an increase of 208 yuan over 1994. Per capita income from household operations reached 785 yuan, of which income from farming, forestry, livestock, and fisheries was 676 yuan, a 32.7 percent increase.

PRC: Article Criticizes Li Teng-hui's 'Democracy Ploy'*OW1503094296 Beijing XINHUA in English
0913 GMT 15 Mar 96*

[FBIS Transcribed Text] Beijing, March 15 (XINHUA) — A signed article published in Beijing today criticizes Li Teng-hui for using the "democracy" ploy to split China.

The article by Huang Jiashu, the third of a series of articles to condemn Li Teng-hui's pseudo-democracy, says that Li has been selling the stock of "Taiwan independence" under the cover of democracy, especially the idea of "direct election for president," since he took office eight years ago.

Huang lists abundant facts of Li's joining the "Taiwan independence" forces hand in glove. Former chairman of "Taiwan Independence Union," which was once listed as a "terrorist group of violence" by the judicial department of the United States, is now running for "legislator" in Taiwan.

Peng Mingmin, "Godfather of Taiwan independence" once wanted by the Taiwan authorities, became "presidential" candidate, nominated by the Democratic Progressive Party (DPP).

Li claimed that "whatever the people want is on my mind," the article says, but he has a special palate for the "will of the people."

The article notes that Li Teng-hui turns a deaf ear to the wishes of people to develop exchanges between the two sides of the Taiwan Straits, but is very much willing to accept many proposals from the "Taiwan independence" forces and the DPP.

The "direct election for president" was initiated by the "Taiwan independence" organizations and DPP in 1991, which was criticized as improper by the Kuomintang until the end of that year. But in 1992 Li Teng-hui secretly joined forces in the party, suddenly changed direction at the third plenum of the 13th Central Committee of the Kuomintang, and finally succeeded in adding the "direct election for president" to "amendments" in 1994.

The article points out that "Taiwan independence" organizations, and Li Teng-hui, are zealous about the "direct election for president" because they are attempting to define the 21 million Chinese in Taiwan as independent from the Chinese nation, and then give sovereignty to the "entity."

It will also be a critical change in the political system in Taiwan, the article says. In the past, the "president" was elected by the "national congress" which claimed

to represent "entire China." It implies that Taiwan authorities admit that the "president" cannot be elected solely by the people of Taiwan Province.

The "direct election" of a "president" will indirectly testify that Taiwan is not a province but a "country," the article notes.

The article says that those advocating "Taiwan independence" and Li Teng-hui have made a drastic mistake, i.e., the people in "sovereignty belonging to the people" mean the people of a country, not a province.

Sovereignty is inseparable and there does not exist an independent "sovereignty of Taiwan," it points out.

It warns: "If Li Teng-hui thinks that under the cloak of a 'popularly-elected president,' he can open a market for the so-called 'Taiwan sovereignty independence,' he is doomed to a complete failure."

It stresses that Taiwan is a province of China, and Taiwan people are a component of the Chinese nation.

Elections held in Taiwan, in whatever form, are merely local elections, and can produce local leaders only, it says.

If Li Teng-hui attempts to pave the way for "independence of Taiwan" in the name of a "popularly-elected president," the entire Chinese people, including Taiwan compatriots, will never permit him to do so, and the international community will not support him, the article adds.

It notes that in accordance with the idea of "one country, two systems," after China's reunification, Taiwan will enjoy a high degree of autonomy, local leaders will be elected by Taiwan residents, and the central government will not send officials to Taiwan.

This includes respect for the democratic rights of Taiwan residents to elect local leaders, the article adds.

"We support all democratic reforms really beneficial to the interests of Taiwan residents in accordance with the one-China principle," it says.

It is, however, imperative to draw a strict demarcation line between "genuine democracy" and "fake democracy," and between peaceful reunification and peaceful splittism.

The article warns that if Li Teng-hui does not repent his mistakes, and continues to stay trapped in the quagmire of "Taiwan independence," "democracy" will never become his life buoy.

PRC: Spokesman Shen Guofang on Cross-Strait Situation

OW1403044596 Beijing Central Television Program
One Network in Mandarin 2340 GMT 10 Mar 96

[Interview by Shui Junyi with Foreign Ministry Spokesman Shen Guofang; place and date not given; from the "Oriental Horizon" program]

[FBIS Translated Text] [Shui] Viewers and friends, Taiwan is an inalienable part of the PRC. This is an unshakable faith for every Chinese as well as a fact generally acknowledged by the international community. Some people on the Taiwan island, however, have been advocating two Chinas or one China and one independent Taiwan in recently years. As Taiwan's so-called general election draws near, the force for the independence of Taiwan has intensified day by day, causing a tense situation in the Taiwan Strait that has not been seen for many years. We have invited Foreign Ministry Spokesman Shen Guofang to our studio today. [Shui Junyi turns to Shen Guofang, who is sitting beside him] How are you, Mr. Shen? The international press has shown concern over the tense situation in the Taiwan Strait recently. Some maintained that such a tense situation, as it develops, may affect stability and security in the Asia-Pacific region. What are your views?

[Shen] The major cause of recent tensions between the two sides of the strait lies in the advocacy of two Chinas or one China, one Taiwan by some leaders of the Taiwan authorities in the international community, causing strained relations across the strait. Another cause is foreign forces, including the United States, who sold state-of-the-art weapons to Taiwan in large quantities; this is actually an act that encourages and connives at Taiwan's promotion for two Chinas or one China, one Taiwan.

[Shui] Some international press regard the military exercises of the People's Liberation Army [PLA] in this area as military threats. What are your views?

[Shen] The PLA's military exercises are regular ones and are not directed at the people in Taiwan. I have just stated our policies, and those are peaceful reunification and one country, two systems. This is the most practical and feasible way. Of course, if independence appears on Taiwan [tai wan dao nei chu xian tai du; probable STC's: 0669 3494 1497 0355 0427 3807 0669 3747] or foreign forces invade Taiwan [wai guo shi li qin ru tai wan; probable STC's: 1120 0948 0528 0500 0187 0354 0669 3494], we will not sit by idly and remain indifferent; we will certainly resort to non-peaceful means [wo men dang ran hui cai qu fei he ping de shou duan; probable STC's: 2053 0226 3981 3544 2585

6846 0648 7236 0735 1627 4104 2087 3008] to solve this problem. The PLA's military exercises are mainly to show that China has the capability to safeguard the country's sovereignty and territorial integrity.

[Shui] We are aware that some foreign forces have supported the independence of Taiwan in various forms. Could you expound on the Chinese Government's basic attitude toward and stand on such support for the independence of Taiwan?

[Shen] The Taiwan authorities' flexible diplomacy, transit diplomacy [guo jing wai jiao; probable STC's: 6665 1064 1120 0074], money diplomacy, and the like actually do not conform to the norms of international relations. Some countries, however, have no consideration for principles and have established so-called diplomatic relations with Taiwan. This also does not conform to the norms of international relations. As for the United States, we have just mentioned that it sold a large quantity of state-of-the-art weapons to Taiwan and even allowed Li Denghui [Li Teng-hui]'s visit to the United States. Let us review U.S. history for a while here: The U.S. Government also stressed national unification, opposed intervention by foreign forces in their affairs, and opposed sales of weapons by a European country to the South during the American Civil War. Therefore, I hope the Americans will remember this part of history in handling the Taiwan issue.

[Shui] Thank you very much.

PRC: Cross-Strait Relations 'Haunted' by U.S. Shadow

HK1503064996 Beijing CHINA DAILY in English
14 Mar 96 p 4

["It Seems to Me" column by Guang Li: "Separatists Responsible for Cross-Straits Tension"]

[PTS Transcribed Text for FBIS] One of today's hottest topics of conversation among Chinese people is the increasing tension across the Taiwan Straits.

What else can evoke stronger emotions in the 1.2 billion people than the issue of reunifying or splitting China?

Taiwanese "president" Lee Teng-hui [Li Teng-hui] is the person who created the tension and who must be held responsible for the consequences.

Separation between the two sides of the Taiwan Straits has been maintained since 1949 when the Kuomintang government was driven out of the mainland. Though the Taiwanese regime in the early years claimed they would fight their way back — they did make some futile efforts in the 1950s and 1960s — there has been more thunder than rain.

The Taiwanese authorities, however, claimed to adhere to a one-China policy until Lee Teng-hui came to power. In the past few years, under the cloak of striving for wider international "survival space," Lee has bought entrance into a number of countries that have dubious relations with the island.

Notably after his visit to the United States last year, thinking he had enough support signals, Lee ran wild with his independence claims. On many different occasions, he has made it crystal clear that he is, at heart, for Taiwan's independence.

Only when the "presidential election" came closer, realizing the unpopularity of his pro-independence stance, did Lee resume his old two-faced trick by lowering his tone to try to fool people into voting for him.

But his efforts to wrap fire in paper are in vain. While promising to "spare no efforts" to "put an end to hostilities across the Straits," Lee deliberately avoided mentioning the "one China" principle and reunification with the mainland.

The "fire" he is trying to wrap is his intention to strengthen his stand on "two equal political entities" and "Taiwanese independence." His aim is to turn the current status quo across the Straits into a permanent split.

Taiwan is an inseparable part of China and reunification is the unswerving will of the whole nation including our compatriots in Taiwan. Anyone who tries to split China will eventually be cast aside as a traitor.

The Chinese People's Liberation Army (PLA) are currently testing missiles and conducting naval and air exercises off Taiwan.

This move is giving a clear signal that China will not sit idly by in face of Lee's separatist activities.

What the people, especially our compatriots in Taiwan, should really be worried about is not the PLA exercises but the damaging separatist activities in Taiwan and the growing interference in China's affairs by foreign powers.

China has been striving for a peaceful reunification of the country under the "one-China, two-systems" principle. To that end, the Chinese Government has been advocating direct cross-Straits flights, mail and trade. A military solution to the "Taiwan question" would be the absolute last choice.

But whether to resort to force or not is not decided by the Chinese Government but by the actions of the Taiwanese authorities and of some foreign powers, headed by the US. It is obvious that the further Taiwan

moves towards "independence," the smaller the chance of peaceful reunification.

It is the common duty of Chinese from both sides of Taiwan Straits to fight against the separatists and strive for peaceful reunification.

We should also note that relations across the Taiwan Straits have always been haunted by the shadow of the U.S..

Though the U.S. broke off official ties with Taiwan in 1979, before establishing diplomatic relations with China, it has continued to sell high-technology weapons to the island which it officially recognizes as part of China. Without the US's political and military support, Lee and his followers would not have gone so far in their separatist efforts.

Before Lee was allowed to visit the U.S. last year, cross-Straits relations seemed to be developing on the right track with trade and investment increasing rapidly, and semi-official and non-official contacts steadily resuming.

The U.S. may base its support for Taiwan on various excuses such as "traditional obligations," but the bottom line is that it is unwilling to see a powerful and unified China and wants to use Taiwan to contain China. Whatever pretexts it may find, it can not change the basic fact that the US, supporting Taiwan openly or secretly, is interfering in China's internal affairs. Such interference is doomed to fail because it is against the will of 1.2 billion people.

U.S. and Taiwanese politicians should not mis-interpret the justification and determination of the Chinese across the Taiwan Straits over reunification.

The reunification of the country is of vital importance to the Chinese people. To accomplish it, any cost might have to be justified.

***PRC: 'Taiwan Question' in Asia-Pacific Power Politics Viewed**

96CM0156A Beijing ZHONGGUO GUOQING GUOLI [CHINA NATIONAL CONDITIONS AND POWER MONTHLY] in Chinese 28 Nov 95 No 35, pp 6-8

[Article by Zhang Wenmu (1728 2429 2606), affiliated with the Shandong University National Policy Institute: "The 'Taiwan Question' in Asia-Pacific Power Politics"]

[FBIS Translated Excerpt] [Passage omitted] The 'Taiwan question' originated in 1950 during the Korean War, which miraculously elevated the status of Taiwan in U.S. Asia-Pacific strategy to unprecedented heights. Americans saw it [Taiwan] as an "unsinkable aircraft

carrier" which, in U.S. Asia-Pacific strategy of the time, could stand off mainland China to the west, impede the former Soviet Union and, when necessary, also restrain Japan to the north. It could also threaten the countries around the South China Sea and protect the U.S. Asia-Pacific oil lifeline to the Middle East in the south. Although the United States signed a "joint communique" with China in 1972 recognizing that Taiwan is part of the PRC to rope China into resisting the Soviet threat from the north, the United States has continued to obstruct Taiwan's return to its native land. So the Taiwan question has remained the most sensitive issue in U.S.-China relations. Since the breakup of the Soviet Union, U.S.-Taiwan relations have warmed up, with more arms sales and higher-level official intercourse. Finally, the mid-1995 visit to the United States by Li Teng-hui pushed U.S.-China relations to their lowest point since 1972, with the focus of the conflict for both sides being their different stance on Taiwanese independence.

At this point we need to answer two questions with some foresight: 1. Might U.S.-China relations at the turn of the century continue to deteriorate? 2. Might Taiwan at the turn of the century move toward independence? The research for this article reaches a negative verdict on both of these questions, short of the occurrence of an extremely rash and pernicious outbreak in either country.

As to how I reached this verdict, my research line of thought was as follows:

When formulating U.S.-China foreign policy for the turn of the century, it is necessary to soberly recognize the following political reality. Since the breakup of the Soviet Union, the crucial documents that the United States has signed with China since 1972 have lost their former political weight of using China as a balance against the Soviet Union. This makes documents that have lost their political weight nothing more than mere scraps of paper. It is just like during World War II, when Hitler signed a mutual nonaggression pact with the Soviet Union to the east so that he could attack westward. But once Hitler had occupied Europe, Germany tore up the Soviet-German pact and attacked the Soviet Union without even declaring war. As such cases are nothing new in the history of international relations, there is no need to be puzzled over the current cooling of U.S.-China relations. It is undoubtedly a case of the resolution of U.S.-Soviet confrontation leaving the United States to tear up in undeclared form all documents signed since 1972 that were aimed at strengthening the U.S.-China alliance. So except for in diplomatic language, we should no longer expect to reach the sort of agreements with the United States that we did previously in the Shanghai Joint Communiqué.

even less so counting on the kind of promises once made by the United States. We need instead to act in line with our current political interests, reformulating our U.S. foreign policy for the turn of the century, acting within the new U.S.-China diplomatic framework to study ways to settle the Taiwan question and seizing the time to do so.

When studying the evolution of U.S.-China relations in modern times, we need to note the following historical facts. As to national interests, China and the United States have cooperated more than we have clashed, with the Pacific theater in World War II being a case in point. But as to ideology (referring mainly to since 1949), we have clashed more than cooperated, with the United States having first sent troops to the Taiwan Strait due to ideological conflict. After the Third Plenary Session of the 11th CPC Central Committee in 1979, with Deng Xiaoping's successful visit to the United States, U.S.-China relations very quickly entered the honeymoon state. But as the ideological conflict sharpened in China between the mainstream and liberalization thought trends, U.S.-China relations started to deteriorate after 1989, with the conflict over differing ideologies steadily escalating ever since.

In studying U.S.-China and mainland China-Taiwan relations, it is also necessary to study four Asia-Pacific foreign relations, or those among China, the United States, Japan, and Russia. While the major U.S. adversary in international competition for supremacy had been the Soviet Union since 1945, only Japan has been able to contend with the United States in the Asia-Pacific region since the breakup of the Soviet Union in 1990. A study of U.S.-Japanese relations shows that they are exactly the opposite of U.S.-China relations, in that there is more conflict of national interests than ideological cooperation. Japan has clashed sharply with the United States over Asia-Pacific supremacy in modern history. Before the Second World War, the United States actually conceded the region north of 30 degrees north latitude, or north of Shanghai, to the Japanese sphere of influence. It was only Japan's occupation of Korea and a large slice of Chinese territory to approach Shanghai and threaten the U.S. oil shipping lane in the South China Sea that brought on the unprecedentedly decisive war between the United States and Japan. It needs to be noted that the worst period in U.S.-Japanese relations coincided with that of the most U.S.-Chinese dependency. So with Japan now trying to convert from an economic power to a political and military one, U.S.-China strategic cooperation will prevail over our ideological conflict.

And why do I say that? Since the breakup of the Soviet Union, the status in the U.S. foreign relations deck of

not only the China card, but also the Japanese card, has changed. While the breakup of the Soviet Union has moved the Cold War iron curtain to China ideologically, it has also escalated U.S.-Japanese conflict over national interests since it is only Japan that will have the potential to contend with the United States over the Asia-Pacific region and even world supremacy in the next century. That leaves China as an almost irreplaceable chip in the U.S. Asia-Pacific strategy to restrain Japan. In addition, for quite a long time to come, since China's overall national might will certainly not pose a threat to U.S. strategic interests in the Asia-Pacific region, as a balance against Japan at least until China reaches the level of a moderately developed country, the United States will not only not reject Chinese modernization, but will even welcome it to a considerable degree. The principle is quite simple, in that Chinese weakness equals an unfortified zone along strategic lines for a Japanese advance to the south. Americans understand quite clearly that if China had been as strong as the Soviet Union in World War II, there would have been no Pearl Harbor or the hundreds of thousands of U.S. casualties. And on the other hand, if U.S.-China conflict results in the breakup or decay of China, that would undoubtedly help Japan do what it wanted to but could not during the Second World War, or open up a Japanese oil shipping lane through the South China Sea, to enable Japan — the Asia-Pacific's greatest "tiger starved" for resources — to directly attack the U.S. oil shipping "neck" and directly threaten the "heart" of the U.S. and Western economy, or Mideast oil. So as the United States would never accept that, as long as we emphasize keeping a cool head about the major conflict in U.S.-China relations, keeping the U.S.-China ideological struggle "rational, beneficial, and restrained," China will have much room to maneuver over diplomatic space in the Asia-Pacific region. And once we recognize that, we find that the Asia-Pacific situation is more favorable to China's overall development since the breakup of the Soviet Union than before.

But we must also not be overly optimistic, as China and the United States are after all countries with absolutely different social systems. And in addition to these U.S.-China conflicts over ideology and social system that are so hard to reconcile, we are also subject to certain conflicts of principle over national strategic interests, which have left the United States since the 1950's piecing together a chain of defenses around China to prevent so-called Communist expansion. With the breakup of the Soviet Union and China's strong economic growth (as well as the invaluable impact of Chinese development on the revival of world socialism), some U.S. politicians have started to spread the "concept that China is a threat." That reflects the fear in U.S.

politics of China's rapid growth. But it is aimed not at China's national interests, but rather at ensuring the security of the oil shipping lanes that are so intertwined with U.S. development. As to the U.S. Asia-Pacific strategy, as long as this lifeline is not affected, the whole Asia-Pacific region could capsize.

But on the other hand, the United States would absolutely wage a decisive war against any country that threatened that strategic line. While the United States could withdraw from Somalia, it will not withdraw from Kuwait. And while it might have tolerated countless "Nanjing Massacres" by Japan north of Shanghai, it would absolutely not allow Japan to control the Pacific Island countries south of the 30th parallel. But as China is too close to this U.S. lifeline, a strong China would be bound to arouse U.S. concern over the security of the southern region. That is precisely why the United States is supporting Chinese containment of Japan and the Russia of the future, while supporting forces hostile to the Chinese Government such as the ASEAN countries, including Vietnam, as well as those in Taiwan and even Hong Kong and Tibet, in interfering with Chinese influence and impact in southward expansion. The most recent U.S. establishment of diplomatic relations with Vietnam could be called a geopolitical reprint of the 1972 Nixon doctrine and strategic thinking.

In such a political order, the 'Taiwan question' and its means and time of resolution are inextricably tied to the changing U.S. Asia-Pacific strategy. That involves two key factors: 1. Changing U.S.-China relations and Chinese development per se; 2. Changing U.S.-Japanese relations and Japanese development per se. In other words, Chinese and Japanese change (growth or decline) must not affect U.S. strategic interests in the central Pacific. We know that U.S. diplomatic traditions originated in the British "honor-in-isolation" policy. Under that policy, Britain has played for centuries a game of balancing off Europe's France, Germany, and Russia against each other, from which it has benefited enormously. As the United States is a nation that evolved out of the British political system, with the North American mainland being in a naturally detached location independent from the Eurasian continent, that isolation enabled the United States in the 19th and 20th centuries to replay the British game of "honor in isolation" among Britain, France, and Germany. It also gave the United States many [unfair] advantages in the First and Second World Wars (while of course it also made a great sacrifice in defeating fascism). So it is certain that as the world trade focus shifts toward the Asia-Pacific region, the United States will inevitably play that same old game among all Asia-Pacific forces in the next century, the major form of which will be

playing a balancing act among China, Japan, Russia, and other political forces. And at that U.S. card table, at least until China becomes a moderately developed country, letting (or making) China collapse completely will certainly not be in the cards of U.S. Asia-Pacific strategy. Today's China is not like yesterday's Soviet Union. As yesterday's Soviet Union was the only power that rivaled the United States for world supremacy, the United States played a driving role in its collapse. But as today's China is far from matching the United States in overall national might, China could not threaten the United States even when we reach our goal of becoming a moderately developed country. And while Russia has historically been an extremely expansionist nation, which is proved by its territory, since Russia in the 1990's is far from what it once was, meaning that it will take some time to recover, its interests will not conflict much with Chinese development for quite some time to come.

My current analysis is that the country that will really conflict with China in national strategic interests will be neither the blustering United States or the truculent Russia, but rather the obsequious Japan. The Japanese have always either acted without speaking or acted first and spoken later — exactly the opposite of the Americans — never having abandoned their Greater Asia strategy since their Meiji prosperity. The Japanese Government held an "Asian Conference" in Tokyo in 1927, at which the famous Tanaka memorial called for "conquering China first as a prerequisite for conquering the world." That was because China was one of the strongest obstacles to Japanese access from Northeast Asia to the broad South China Sea, an international shipping hub, to contend with the United States for the main Asia-Pacific oil shipping lane (with the second and final obstacle being the United States). This Sino-Japanese relationship was fully determined by the geopolitical terms of the capitalist economic drive of Japanese expansionist power and its natural suppression by the great powers. The first of these terms meant inevitable international expansion just like the United States, while the second one meant certain conflict with China and thus with the United States. We can see that in the present U.S.-China dispute, Japan is actually taking the stance of low-key connivance, while currying favor with China aimed at getting China into a conflict with the United States whose strategic interests are similar to its own, so that it can reap third party profit. As Japan once played that role with the Kuomintang and CPC around the time that it launched its War of Aggression Against China, it is of course continuing to play for third party profit in the current dispute between the mainland and Taiwan. It could be said that as the Sino-U.S. unity with other countries in the Pacific theater during World War II was the key

cause of Japan's failed aggression, Japan's key objective in coming Asia-Pacific conflict will be to widen the divisions between China and the United States to keep from being controlled on two fronts. Japan will do all possible to produce contradiction, conflict, and even war between China and the United States and even within China to reach its strategic goal of controlling southern fortifications, including the island of Taiwan.

So the 'Taiwan question' on one hand is the focus of U.S.-China relations, with the United States using Taiwan to contain Japanese southward expansion, while building an inner line to contain the southward shift of Chinese influence in Taiwan, Hong Kong, Macao, and Tibet, which territories China needs to recover to preserve its national dignity and unity. But in addition to this focus of U.S.-China relations, we must never forget that Japan is always ready to reap third party profit. That is because Taiwan is so important to Japan that the first step of every significant Japanese action in modern history has been to invade and occupy Taiwan. In such a political order, the means of resolving the Taiwan question is tied to changing U.S.-China and U.S.-Japanese relations. In other words, when U.S.-Japanese conflict grows greater than U.S.-China conflict to make China more strategically valuable than Japan to the United States, the United States could discard Taiwan as a card if necessary and give it back to China to keep the U.S.-China relationship stable. And when Taiwan loses its great power protection, it will lose its grounds for independence, which will be the right time to recover it. In any case, the United States would never concede Taiwan to Japan. The United States would rather see Taiwan "independent" — another unspoken word in the U.S. promise of Taiwanese "independence" is the tacit acquiescence to possible mainland action to recover Taiwan, just as an unspoken word in the British approval of "direct elections" in Hong Kong is that it will wash its hands of the matter — than controlled by Japan.

As the Second World War was drawing to a close, President Roosevelt predicted that the Soviet Union would recover very quickly, so he did all possible to support China in standing off the Soviet Union. Roosevelt even allowed China, over Churchill's objections, to take part in the November 1943 Cairo Conference and demanded in the "Cairo Declaration" that "Japan must return to China all of the territory that it has stolen such as Manchuria, Taiwan, and the Penghu Islands." Before the Korean War, while U.S. President Truman once tried to give up Taiwan in exchange for a certain form of "alliance" with the PRC, the outbreak of the Korean War and Chinese participation in it exploded Truman's bubble. And in 1972, when improving relations with China

to stand off the Soviet Union in the north, Nixon also once abandoned Taiwan in a limited way. So it is certain that with the breakup of the Soviet Union and the rise of Japan, history will once again in China-U.S.-Japanese relations give China the chance to recover Taiwan. Most recently, with U.S.-Taiwan relations seeming to have started to warm up, we have behaved calmly, as this is nothing more than a case of irresponsible shortsighted action by some U.S. politicians trying to please the public with claptrap in search of votes, even being of no great value in the eyes of senior U.S. statesmen. (Footnote 1) (In a WASHINGTON TIMES "Interview with Former U.S. President George Bush" on 20 September [1995], Bush said that "we still need to keep a continuous and widespread strategic dialogue going with China, a dialogue which will involve the whole world, and which will be the only way that we can keep from making a miscalculation." And U.S. UN Ambassador Albright said that same day that "the U.S. relationship

with China has become one of the most important relationships in the world.") Taiwan can be only one card in the Asia-Pacific hand of the Western powers, not a power per se, which theorem has been proved repeatedly in this century by significant international events. As to Taiwanese independence, that is idiotic nonsense as Taiwan has no history of political independence. Taiwan's fate is now like a ball being kicked back and forth between the great powers. And for Taiwan to completely escape such a fate, it has no other option than to return to mainland China, with which it shares the same ethnicity, nationality, and statehood. Of course, that will also hinge on the state per se of mainland foreign policy and economic and cultural development. If we were to collapse due to problems such as corruption, instead of recovering Taiwan, China would disintegrate. [passage omitted]

Taiwan: Peng Welcomes World Concern Over Strait Situation

OW1503024096 Taipei CHUNG-KUO SHIH-PAO
in Chinese 14 Mar 95 p 7

[FBIS Translated Text] Peng Ming-min, the Democratic Progressive Party [DPP] presidential candidate, yesterday welcomed efforts by various countries around the world, including the presence of the U.S. warships in the Taiwan Strait, to ease tensions in the strait. As for whether to sign joint defense treaties with the United States or other countries, Peng Ming-min said that is a different issue and must be carefully considered.

Candidate Peng Ming-min held a news conference attended by foreign journalists to express his views on escalating tensions in the Taiwan Strait.

Peng Ming-min said: Taiwan is not a part of China. The People's Republic of China has never ruled Taiwan before. China's assertion that Taiwan independence is "splittism" is sheer nonsense and is completely illogical; China has nothing but its naked ambition for the territory of Taiwan. China's military exercises in the Taiwan Strait will only enhance unity within Taiwan and harden the determination of people in Taiwan to pursue independence.

Commenting on remarks that the presence of the battle groups of the U.S. aircraft carriers in the Taiwan Strait, due to the tensions across the strait, is intervention by "external forces," Peng Ming-min said: The real external force is China; China is the only external force standing in Taiwan's way to democracy. The cross-strait situation today is unilaterally caused by China.

Peng Ming-min also criticized the remarks of Lin Yang-kang and Hao Po-tsun, another pair of presidential and vice presidential candidates, that "the U.S. should not meddle in the Taiwan Strait situation too deeply" and said: Did China not receive the United States' help during the war against Japan? Did the Kuomintang government not rely on U.S. forces to defend Taiwan when it had just moved to Taiwan? I wonder how Lin and Hao are going to explain this? In signing the "Shanghai Communiqué" with China, the United States has stated that the premise of admitting China is a peaceful resolution to the Taiwan problem. Now the United States is implying that if this premise is violated, it will not comply with the agreement.

Taiwan: Foreign Ministry Gratified by EU Parliament Support

OW1503105096 Taipei CNA in English
1006 GMT 15 Mar 96

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, March 15 (CNA) — The Ministry of Foreign Affairs on Friday [15 March] expressed gratitude for the support the European Parliament has shown to Taiwan amid mounting military threat from mainland China.

"We appreciate the European Parliament's moral support for us," said Yang Jung-tsao, director of the ministry's European Affairs Department.

Yang made the statement after the European Parliament, the legislative arm of the European Union (EU), passed a second urgent resolution on Thursday urging communist China to halt any preparations for military action against Taiwan.

The resolution followed a similar one adopted by the Parliament on Feb. 15 in response to reports that Beijing was massing troops along its southeast coast opposite Taiwan to intimidate residents on the island ahead of its first fully democratic presidential election on March 23.

On March 8, foreign ministers of the 15 EU member states also issued a joint statement condemning Beijing for conducting missile tests at Taiwan's doorstep.

The European Parliament, which represents 370 million EU people, again passed an urgent resolution on Thursday as Beijing had ignored its previous call and started new live-fire war games off Taiwan on Tuesday.

Yang said the EU's moves indicate that all peace-loving people around the world have been annoyed by Beijing's menacing war games which threaten regional peace and security.

"We hope Beijing could respond to world indignation and stop all irresponsible, dangerous military maneuvers immediately," Yang said, adding that Beijing's continued saber-rattling would only hurt Taiwan people's feelings and hinder China's eventual reunification.

In its just-adopted resolution, the European Parliament "strongly urged China to end all military preparations against Taiwan" and "to abstain from all other provocations."

The Parliament praised the remarkable progress of democratization which has taken root during recent years in Taiwan. "We throw our full support behind the people of Taiwan," the resolution said.

It said Beijing's "provocative attitude" was designed "to influence the outcome of direct presidential election" in Taiwan. The Parliament added it was "seriously concerned" over the mainland Chinese government's "constant refusal" to renounce the use of force to reintegrate Taiwan into the Chinese mainland.

The Parliament also appealed to both sides to engage in dialogue. "We invite both parties to settle their differences through dialogue," it said.

Taiwan: Foreign Governments Draw Up 'Plans To Evacuate'

HK1403063996 Hong Kong EASTERN EXPRESS in English 14 Mar 96 p 13

[By Connie Ling]

[PTS Transcribed Text for FBIS] Foreign governments are quietly drawing up plans to evacuate their citizens from Taiwan.

Foreign workers are facing the dilemma of deciding whether to remain on the island or seek shelter elsewhere.

Manila is working out a plan to pull more than 60,000 Filipinos from the island but its representative office in Taipei refused to give more details.

A spokesman from the Manila Economic and Cultural Office said it was "making preparations" to evacuate its citizens in case war breaks out.

The Philippines has experience in dealing with similar situations, he said.

Manila relocated thousands of its nationals from Kuwait during the Gulf War in 1991.

There are more Filipinos working in the Gulf area than in Taiwan, he added.

Filipinos account for nearly 30 per cent of Taiwan's foreign workforce, second only to Thai workers.

According to Taiwan's Council of Labour Affairs, there are currently more than 4 million legal foreign workers in Taiwan.

The majority work as domestic helpers and labourers.

Among them are 150,000 Thais who work mostly at construction sites and other infrastructure projects throughout the island.

They account for more than 65 per cent of Taiwan's foreign workforce.

Thailand's representative office in Taipei denied reports Bangkok had halted the export of Thai labour to the island.

A spokeswoman said everything was normal.

Bangkok had planned to suspend labour exports to Taiwan when China began its first missile tests last July.

Then it specified it would only consider putting the plan into practice if "there is a real emergency".

Taiwan's Council of Labour Affairs acknowledged that an exodus of foreign workers would play havoc with the economy, as they play a substantial role in the development of the island's infrastructure projects.

China's military exercises have already taken their toll on Taiwan's economy.

Stockmarket shares have plunged more than 13 per cent since last summer's tests.

Taiwan: Representative Meets U.S. Assistant Secretary Lord

OW1503095396 Taipei CNA in English 0854 GMT 15 Mar 96

[By Bill Lang]

[FBIS Transcribed Text] Washington, March 14 (CNA) — Taipei's representative here met Wednesday [14 March] with Winston Lord, assistant secretary of state for East Asia and the Pacific, for a review of the situation in the Taiwan straits and expressed the belief that recent U.S. moves in the region will contribute to an ease of the tension there.

Inform/d sources said that Lord lauded the restraint Taipei has shown in the current crisis and added that it is a move in the right direction.

In his remarks, Benjamin Lu noted that both President Li Teng-hui and Premier Lien Chan have repeatedly emphasized that Taipei does not pursue independence but seek eventual reunification with the mainland.

The Taipei representative also demanded that Washington's high-level contacts with Beijing, including a possible meeting between Secretary of State Warren Christopher and Beijing's Foreign Minister Qian Qichen in the near future, should not come at the expense of Taipei's interests.

Taiwan: Foreign Ministry: Taipei 'Does Not Want' U.S. Support

OW1403141096 Tokyo KYODO in English 1349 GMT 14 Mar 96

[By Susanne Ganz]

[FBIS Transcribed Text] Taipei, March 14 KYODO — Taipei does not want further demonstration of U.S.

support for Taiwan amid escalating Chinese military exercises in the Taiwan Strait, a Foreign Ministry spokesman said Thursday [14 March].

It is not the role of Washington to tell the Chinese on both sides of the Taiwan Strait how to sort out their differences, the spokesman was quoted as saying by the semiofficial CENTRAL NEWS AGENCY (CNA).

The statement comes after the Asia and Pacific Subcommittee of the International Relations Committee of the U.S. House of Representatives unanimously adopted a resolution Wednesday saying the United States should assist "in defending (Taiwan) against invasion, missile attack or blockade" by China.

The resolution is an expression of congressional sentiment against China's ongoing saber-rattling, but does not oblige the U.S. to take any specific action.

The spokesman said Taipei welcomes the resolution, but does not expect Washington to take further action. He also said that Washington's repeated calls for a peaceful resolution of the ongoing crisis were a "correct" stance.

China has often warned the U.S. not to meddle in what Beijing considers an internal affair.

On Wednesday, the Chinese People's Political Consultative Conference adopted a resolution saying that China "resolutely opposes the interference into China's internal affairs of any foreign force under any pretext which acts to support 'Taiwan independence'."

The U.S. has ordered two aircraft carrier battle groups into the region as a precautionary measure to monitor Chinese military exercises near Taiwan ahead of the island's first direct presidential election slated for March 23.

Presidential candidate Lin Yang-kang, who is backed by the pro-unification New Party, has warned that U.S. involvement could trigger a third world war.

Peng Ming-min, the candidate for the pro-independence Democratic Progressive Party, which has long tried to internationalize the "Taiwan issue," dismissed Lin's remarks as bowing to Chinese pressure.

Taiwan: Spokesman: U.S. Should Not Resolve Chinese Dispute

OW1503025796 Taipei CNA in English
0215 GMT 15 Mar 96

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, March 14 (CNA) — The Ministry of Foreign Affairs on Thursday [14 March] expressed appreciation to the U.S. House of Representatives over its concern about Taiwan's secu-

rity but hoped the U.S. not to take any further action for now. [sentence as received]

"It is the ROC [Republic of China] government's fundamental stance that the disputes between Taipei and Beijing should be resolved by the Chinese themselves," Foreign Ministry spokesman Rock Leng said.

He said congress's concern over the security of Taiwan is welcomed, but that "we don't want the Americans to tell us what to do (about the crisis)."

Leng termed as "correct" the Clinton administration's hope that the issue of China reunification can be tackled peacefully by Chinese on both sides of the Taiwan Strait.

Leng's statement is believed aimed at negating Beijing's fears that Washington, which is sending two carrier battle groups to waters near Taiwan, is "interfering in" China's internal affairs.

The U.S. House International Relations Subcommittee on Wednesday unanimously adopted a resolution that the U.S. should supply Taiwan with defensive weapons and assist in defending it against invasion, missile attack or blockade.

The resolution now goes to the House International Relations Committee.

The bipartisan resolution, endorsed by more than 70 congressmen, does not require any action by the Clinton administration. The congressional move is in response to Beijing's live-ammunition war games and missile tests in the Taiwan strait, which separates Taiwan from Mainland China.

Taiwan: PRC Report Cited on Stability; U.S. Causing 'Chaos'

OW1503035496 Taipei China Broadcasting Corporation News Network in Mandarin
2300 GMT 14 Mar 96

[From the "Hookup" program]

[FBIS Translated Text] While the Chinese Communists were carrying out a chain of military exercises with the obvious intent of intimidating Taiwan, Beijing's XINHUA NEWS AGENCY dispatched an eye-catching and thought-provoking report. The report said that the deputies of the Communist Armed Forces attending the ongoing sessions of the National People's Congress and the Chinese People's Political Consultative Conference unanimously agreed that to achieve China's long-term and intermediate-term development objectives, for a fairly long period to come, a peaceful and stable environment is of great importance for China

as a whole. The XINHUA report quoted a speech by Fu Quanyou, Chinese Communist Armed Forces General Staff chief, saying that the prerequisite for China's current reform and development plan is stability. In addition to domestic political and social stability in China and a peaceful international environment, he particularly stressed the need to keep a stable surrounding environment.

Shen Guofang, Foreign Ministry spokesman of the Chinese Communists, said in Beijing that the military exercises by the Chinese Communists would continue according to plan. He also argued that Taiwan's monetary chaos was not caused by the Chinese Communist's military exercises; instead, it was caused by the action of the United States to dispatch its aircraft carriers to the waters near Taiwan and the consequent tension. During the routine news conference, Shen Guofang said: The military exercises by the Chinese Communists will be carried out according to the established plan, and military exercises on the high seas are in keeping with international practice. He said that many countries had also done this. Shen Guofang argued that what caused the current monetary disorder in Taiwan was not China's military exercises, but rather, the U.S. action of dispatching aircraft carriers to this region. The Chinese Communists were just carrying out normal military exercises. When the United States has carried out military exercises, no other country dispatched aircraft carriers or other warships to their war game areas. Shen Guofang also said that the Chinese Communist's war games would end, as they began, according to the established schedule. According to a Philippine official, a vice foreign minister of the Chinese Communists also gave the same indication when meeting Philippine officials.

Taiwan: MOFA Spokesman: Taipei Not To Provoke PRC

OW1503142596 *Taipei China Broadcasting Corporation News Network in Mandarin*
1120 GMT 15 Mar 96

[From the "News" program]

[FBIS Translated Text] On the basis of information obtained from contacts with the Chinese communists, the U.S. Defense Department announced today that the Chinese communists have pledged that it would not invade Taiwan by force.

The Republic of China Ministry of Foreign Affairs [MOFA] refused to comment on this development today. MOFA noted that with regard to the cross-strait tensions, the government will not take any provocative action that could constitute an excuse for the Chinese communists to use force against Taiwan.

MOFA spokesman Leng Juo-shui said: Whether or not the Chinese communists intend to invade Taiwan by force, as the U.S. government said, will have to be assessed by the Ministry of Defense. The MOFA will not make any comment. The government, however, has stressed repeatedly that under normal circumstances, it would not do anything that would provoke the Chinese communists to use force against Taiwan [bu hui zuo chu ren he zhu yi yin fa zhong gong dui tai dong wu de shi].

Taiwan: Breakthrough Expected in Arms Talks With U.S.

OW1503024796 *Taipei China Broadcasting Corporation News Network in Mandarin*
2300 GMT 14 Mar 96

[From the "Hookup" program]

[FBIS Translated Text] An official in the Ministry of National Defense in Taipei said that in the arms procurement talks held by the senior Chinese [Taiwan] and American officials responsible for foreign and defense affairs, as mentioned by U.S. Defense Secretary Perry, there may be a breakthrough in favor of this side's requirements for the purchase of weapons from the U.S. side because the Chinese Communists are making military threats against the security of the area of the Taiwan Straits.

Taiwan: Li Teng-hui: Exercises Aim To Frighten People

OW1503010596 *Taipei China Broadcasting Corporation News Network in Mandarin*
1100 GMT 14 Mar 96

[Report on Taiwan President Li Teng-hui's 14 March comments; from the "News" program]

[FBIS Translated Text] President Li prayed at a temple in Penghu [Pescadores] yesterday afternoon [14 March], saying the reason why the Goddess Matsu came to Penghu was because she could no longer stay in the mainland. Therefore, he urged the people to remain calm and not to fear the Chinese Communists' exercises. The following is a report by Li Ju-lin:

[Begin recording] [Li] Mr. Li Teng-hui, the Kuomintang presidential candidate, went to pray for the country at a temple in Penghu County on the afternoon of 14 March. He said the Chinese Communists' exercises is aimed at frightening us, but the Goddess Matsu will ensure our safety, adding: The reason why the Goddess Matsu came to Penghu was to be with the 21 million compatriots in Taiwan, Penghu, Quemoy, and Matsu because she could no longer stay in Chuanchou [Quanzhou] on the mainland. Therefore, he called on the people to feel

at ease and ignore [wu shi] the Chinese Communists' exercises [yan xi]. Later, Li Teng-hui attended a local chamber of commerce meeting, at which he stressed: The two sides should get along peacefully [he ping xiang chu]. The Republic of China should stand up by relying on its own strength. Upgrading our weapons and developing our national defense are aimed at protecting the security of Taiwan, Penghu, Quemoy, and Matsu, ensuring social stability, and assuring the people. The fact that his election-campaign leaflets show that he is smiling while clenching his fists symbolize that while simultaneously grasping reality and ideals, he is and will be calmly handling any changes in the situation.

Therefore, he called on the people to trust the Li-Lien ticket and give it allout support.

This is China Broadcasting Corporation reporter Li Ju-lin reporting in Penghu. [end recording]

Taiwan: Li 'Fully Aware' of Cross-Strait Developments

OW1503022896 Taipei CNA in English
0206 GMT 15 Mar 96

[By Flor Wang]

[FBIS Transcribed Text] Taipei, March 14 (CNA) — President Li Teng-hui on Thursday [14 March] called on the people on the offshore island of Penghu [Pescadores] to stay calm over Mainland China's recent military exercises off Taiwan, and said he is fully aware of Taiwan's situation and cross-strait developments.

Li made the remarks while paying a visit to the Penghu Defense Command, accompanied by presidential Secretary-General Wu Poh-hsiung and Taiwan Provincial Governor sung Chu-yu.

In addition to expressing appreciation to troops stationed on the island for their preparedness and high morale amid Mainland China's military intimidation, Li urged the public to stand behind the government and stay on alert.

Although he is busy campaigning in the March 23 presidential election, Li stressed that he is well informed of the situation in the Taiwan strait.

Li also presided over a ceremony marking the completion of the 10-year rebuilding project of the cross-sea bridge, a vital transport link between Penghu and other islets.

The rebuilding project started in 1984, and was planned by Li when he was Taiwan provincial governor.

More than 1,000 people from 11 nearby towns and villages also took part in the event.

Taiwan: Li Teng-hui: Government Sees Through PRC Intentions

OW1503161296 Taipei China Broadcasting Corporation News Network in Mandarin
1120 GMT 15 Mar 96

[FBIS Translated Text] This afternoon, President Li attended a gathering to usher in the spring held by four large international organizations. He said: As long as three months ago, the government saw through the Chinese Communists' intention of conducting military exercises and threatening Taiwan militarily, and worked out contingency plans. Here is a report by Chiang Chieh-an:

[Begin recording] On the afternoon of 15 March, President Li attended a gathering to usher in the spring in his capacity as honorary president of the International Federation, which is composed of four large international organizations — [words indistinct] Republic of China Jaycees, and Lions Club International. At the gathering, President Li pointed out: Although Taiwan's area is only a little more than 36,000 square km and its population is 21 million or so, it has generated a trade volume equivalent to that of Mainland China. This points to its economic achievements, which are a source of pride, and its national strength.

President Li said: Last year, Taiwan's economy ranked 17th in the world. This year, it is expected to rise to 15th. Regarding the Chinese Communists' military exercises and military threats, President Li said: I learned about that three months ago. The government has worked out contingency plans. He believed that Taiwan's stability and peace was an issue of concern in the international community. President Li also said: As the 21st century is only four years away, I hope people will elect a wise national leader who will lead them to jointly build a stable, prosperous, and strong country.

This has been a report by China Broadcasting Corporation reporter Chiang Chieh-an from Sanchung. [end recording]

Taiwan: Spokesman, ARATS Unaware of Taiwan's 'Special Envoy'

OW1403141696 Taipei China Broadcasting Corporation News Network in Mandarin
1100 GMT 14 Mar 96

[CBC correspondent Li Ching-kuan's report; from the "News" program]

[FBIS Translated Text] It was reported that our side [Taiwan] will send a special envoy [te shi] to Beijing to discuss cross-strait relations. The Chinese communist Ministry of Foreign Affairs and the Association for

Relations Across the Taiwan Strait [ARATS] have both indicated that they know nothing about this matter.

Shen Kuo-fang [Shen Guofang], spokesman for the Chinese communists' Ministry of Foreign Affairs, said that the current military exercise would proceed according to plan and would not be affected by any outside forces. CBC reporter Li Ching-kuan reports:

[Begin recording] [Li] It is reported that our side will soon send a nongovernmental envoy to Beijing to discuss with the communist authorities on the current state of cross-strait relations, and that topics of discussion may even include issues concerning one China. However, when interviewed by this reporter on 14 March, Shen Kuo-fang, spokesman for the Chinese communists' Ministry of Foreign Affairs, indicated that he knew nothing about this matter. But he also frankly admitted that it was improper for him to comment on issues like this. Meanwhile, ARATS Deputy Secretary General Liu Kang-chi [Liu Gangqi] said that ARATS did not receive any written or verbal information about this matter.

Later, speaking a regular news conference of the Chinese communists' Ministry of Foreign Affairs, Shen Kuo-fang confirmed that Chinese communists' Foreign Affairs Minister Chien Chi-chen [Qian Qichen] would meet U.S. Secretary of State Christopher to discuss the Taiwan issue. However, he indicated that the meeting was still under planning, and that no decision had been made on the location of the meeting. Shen Kuo-fang added that China's [zhong guo de] exercise would not stop because of foreign forces' intervention. He said China hoped the United States' China policy would be a stable one and would not be affected by external factors. [words indistinct] caused by the Chinese communists' exercise [words indistinct]. Shen Kuo-fang added that China's exercise is a (?regular one) [words indistinct] the Chinese communists would not bear any responsibilities because of this.

This is CBC special correspondent Li Ching-kuan in Beijing. [end recording]

Taiwan: Taiwan's Premier Lien Comments on Exercise

OW1503040196 Taipei China Broadcasting Corporation News Network in Mandarin
1200 GMT 14 Mar 96

[By reporter Huang Yu-wen; From the "News" program]

[FBIS Translated Text] The Chinese Communist missile exercise has aroused widespread concern in the international community in the past few days. At the Executive Yuan's sixth meeting of the extraordinary [lin shi;

probable STC's 5259 2514] policy-making group today, Premier Lien Chan, Executive Yuan president, said our government and people are facing the Chinese Communist military exercise with care and self-restraint [zi zhi; probable STC's 5261 0455] attitude. This has been positively endorsed by various countries. Lien Chan also expressed his gratitude to the international community for their concern on behalf of our government.

At today's sixth meeting of the extraordinary policy-making group of the Executive Yuan, Tang Fei, general staff deputy chief and executive officer, pointed out that the Ministry of National Defense has been closely watching whether the Chinese Communists will launch additional missiles before midnight 15 March. As to whether the Chinese Communists will launch a third wave of the military exercise, Tang Fei said that our side still does not clearly know, but concerned units are trying to find out.

Ting Chung-wen, National Security Bureau [NSB] director, pointed out that the NSB and intelligence units hope the whole country will be mobilized to protect the personal safety of presidential candidates. The NSB will publish information to show the people how to give full play to the strength of the people of the whole country and successfully complete the election as scheduled.

Vice Foreign Minister Fang Chin-yen pointed out that the Ministry of Foreign Affairs has briefed many foreign envoys on the current situation in the Taiwan Strait and that foreign envoys have full confidence in our government. Various countries all expressed their hope that the two sides of the Taiwan Strait could exercise self-restraint. Fang Chin-yen pointed out that already the United States, Europe, and Japan have all shown positive concern over the situation in the Taiwan Strait, while other countries are taking a more conservative attitude.

In his report, Chiang Ping-kun, minister of economic affairs, pointed out that judging from the number of orders for export commodities, total export orders in February rose by 17.3 percent as compared with the same period last year. Orders from the United States, Europe, and Japan all increased significantly; only the number of orders from Hong Kong fell, by 5.6 percent. According to a survey of 34 large manufacturing companies of 22 manufacturing trades, the Ministry of Economic Affairs found that 28 companies, or 82.3 percent of manufacturing companies, did not think the Chinese Communist military exercise would have an impact on them. Only five companies thought the military exercise might affect them slightly, and only one company thought the military exercise would seriously affect the company.

Participants in the meeting also showed their concern about the recent trend of heavy selling of electronics shares and so-called profiteering in time of national crisis. Lin Chen-kuo, Minister of Finance, said the Stock Exchange Administration and financial and economic departments are investigating the matter to see if there are any unusual phenomena.

After listening to reports by heads of various ministries and commissions, Lien Chan gave his instructions. Deputy Director General Wu Chung-li of the Government Information Office relayed the instructions.

Wu Chung-li said: [begin recording] The president of the Executive Yuan said that, first, our government and the people of the whole country are taking a careful, self-restrained, and calm [chen zhao di 3089 4192 4104 probable STC] attitude toward the Chinese Communist military exercise, and this has been positively endorsed by various countries in the world. Premier Lien also expressed his gratitude to the international community on behalf of our government and people for their concern. Second, we should closely watch further developments in the Chinese Communist military exercise and promptly publicize them.

Third, we should pay particular attention to public security, to ensure that the election can be successfully completed as scheduled. Fourth, we should swiftly take appropriate measures to ensure financial stability. [end recording]

Lien Chan also gave instructions on closely watching the movements of the Chinese Communists. He said that as soon as the latest information is received, the Ministry of National Defense should promptly let the people know the situation.

Taiwan: MAC Chairman Comments on PRC Military Drills

OW1503022496 Taipei CNA in English
0201 GMT 15 Mar 96

[FBIS Transcribed Text] Taipei, March 14 (CNA) — Mainland China's current missile tests and live-fire war games off the Taiwan coast are for both military and political purposes, the ROC's [Republic of China] top mainland affairs official said Thursday [14 March]. Chang King-yuh, chairman of the Mainland Affairs Council (MAC), said in his report on cross-Taiwan strait exchanges at a weekly cabinet meeting that in addition to practicing sea and air combat kills, the war games are mainly aimed at testing Taiwan's and the world's responses as well as at influencing Taiwan's political and economic developments.

By conducting live-ammunition war games in a large sea area very close to Taiwan's shores. Chang said, Mainland China is engaging in a war of nerves intended to shake Taiwan people's confidence in the run-up to the ROC's first democratic presidential election on March 23.

"We should not neglect the potential danger of Mainland China's irresponsible provocative acts," Chang said.

Meanwhile, the MAC issued a report detailing cross-strait exchanges over the past year.

The report said cross-strait relations have undergone many twists and turns during the past year due to communist China's "irrational moves." However, the report said, cross-strait exchanges have managed to continue under the ROC government's efforts.

Cross-strait ties soured following ROC president Li Teng-hui's landmark visit to the United States last June as Beijing considered Li's visit a move to promote Taiwan independence. As a result, cross-strait exchanges showed signs of decline in the second half of last year.

According to the report, Mainland Chinese made 6,655 visits to Taiwan for educational, cultural, religious, sports and art-exhibition activities in 1995, up 64 percent from a year ago. But comparing the first half and second half of the year, the number of mainland professionals or artists visiting here declined steadily.

ROC government tallies showed that Taiwan people made 270,000-plus visits to Mainland China in 1995, a decrease of 160,000 visits from 1994. However, mainland Chinese statistics put Taiwan visitors to the mainland at 1.265 million in 1995, up 115,000 from the year before.

The MAC report said cross-strait trade reached US\$22.5 billion last year, up 25.97 percent from the 1994 level. Of the amount, Taiwan exports to the mainland increased 21.28 percent to U.S.\$19.4 billion, while imports from the mainland rose 66.27 percent to US\$3.1 billion. Taiwan enjoyed a record trade surplus of U.S.\$16.3 billion with the mainland last year.

A total of 490 Mainland China-bound investment projects, worth more than U.S.\$1 billion, were approved in 1995, according to the report. The amount was a 13.56 percent annual growth, but the number of projects declined nearly 50 percent. "This indicates that the scale of each Taiwan investment project has expanded," the report said, adding that the aggregate amount of mainland-bound investment in the second half of 1995 dropped 13.97 percent from that recorded in the first half due to worsening cross-strait ties.

Taiwan: Liu Huaqing: Troops Have 'No Intention of Invading'

OW1503020496 Taipei China Broadcasting Corporation News Network in Mandarin
0000 GMT 15 Mar 96

[From the "News" program]

[FBIS Translated Text] Liu Hua-ching [Liu Huaqing], vice chairman of the Chinese Communist Central Military Commission, said that the Chinese Communist troops have no intention of invading other countries nor taking part in an arms race. Liu made the remark while the Chinese Communists have continued military exercises in the waters off Taiwan. He added that disputes between China's mainland and Taiwan are China's internal affairs. He said that the Chinese Communists' effort to build up their military strength and raise troops' combat capability are purely for defensive purposes.

Fu Chuan-yu [Fu Quanyou], chief of the General Staff of the Chinese People's Liberation Army, said that China needs a peaceful, stable international environment.

Taiwan: PRC Official Denies Li Peng Sending Letter to Taipei

OW1503011896 Taipei China Broadcasting Corporation News Network in Mandarin
2300 GMT 14 Mar 96

[By special correspondent Li Ching-kuan in Beijing; from the "Hookup" program]

[FBIS Translated Text] It has been reported by news media in Taiwan that the Chinese Communists' Premier Li Peng and the Director of the Taiwan Affairs Office of the State Council Wang Chaokuo [Wang Zhaoguo] will send letters to our side within a few days concerning the current military exercise by the communist armed forces and make a formal response through the mainland's Association for Relations Across the Taiwan Strait. The report also said the information was revealed by Liu Kangchi [Liu Gangqi], first deputy secretary general of the mainland's ARATS.

However, on the afternoon of 14 March, Liu Kangchi strenuously denied the report. He also emphatically denied mentioning it to news media, including reporters from Taiwan, and said that, in fact, Chinese Communist leaders had not authorized ARATS to explain the matter to Taiwan.

According to Liu Kangchi, a reporter from abroad [jing wai; probable STC's: 1064 1120] indeed contacted him on 13 March and requested a telephone interview with

him. As the request did not conform to regulations, he made no comments to the reporter.

[Begin recording] [Liu] Not only have I not spoken these words, but I think it is purely fictitious. It is purely a rumor. Therefore, I think necessary to make this clear, and if I see the reporter I will also clarify it with them. I hope such a thing will not happen again. [end recording]

However, the report also mentioned interference by Chinese Communists in the general election in Taiwan. Shen Kuofang [Shen Guofang], spokesman of the Chinese Communists' Ministry of Foreign Affairs, frankly said during a news conference on 10 March that people in Taiwan can earnestly elect the people they want to according to their own will.

Taiwan: Official: Exercises Will Not Cross Territorial Waters

OW1503151196 Taipei China Broadcasting Corporation News Network in Mandarin
1200 GMT 15 Mar 96

[From the "News" program]

[FBIS Translated Text] The closest point of the exercise zone designated by the Chinese Communists for the third round of military exercises announced today is only 10 nautical miles from Wuchiu, within the 12 nautical-mile territorial waters limit recognized by international law. However, a Defense Ministry official said that it should not constitute a so-called infringement of territorial waters. Hsu Hsiao-min has filed the following report:

[Begin recording] The Chinese Communists' XINHUA NEWS AGENCY announced that the communist forces will conduct joint ground, naval, and air exercises from March 18 to 25. The exercise zone is in waters off Pingtan Island, Fukien [Fujian] Province, and between Quemoy and Matsu, making up an irregular ladder-shaped area. A Defense Ministry official noted that at one point, the exercise zone is only 10 nautical miles from Wuchiu, that is, 18.5 km. This is within the 12-nautical mile territorial water limit recognized by international law.

Regarding whether the exercise zone designated by the Chinese Communists constitutes an infringement of our territorial waters and what response our side would make, a Defense Ministry official noted that the situation of offshore islands is different from proper islands. Take Wuchiu for example. There are (Nanyu), (Lusi), and other islands nearby belonging to the mainland, all within 12 nautical miles. Therefore, the third round of Chinese Communist exercises should not constitute

an infringement of territorial waters, so long as the garrison's security is not threatened.

A news statement issued by the Defense Ministry on 15 March pointed out that the Chinese Communist Air Force flew a dozen or so sorties around Pingtan on 15 March as part of pre-exercise drills. This has been a report by China Broadcasting Corporation reporter Hsu Hsiao-min from the Defense Ministry. [end recording]

Taiwan: Defense Ministry: PRC Exercises 10 Miles From Islands

OW1503123696 Hong Kong AFP in English
1220 GMT 15 Mar 96

[FBIS Transcribed Text] Taipei, March 15 (AFP) — China's latest round of exercises are just 10 nautical miles [nm] from three Taiwanese islands abutting the mainland in the northern Taiwan Strait, the Defence Ministry here said Friday [15 March].

It said the exercise area was taking place around China's Pingtan island.

Its closest point is 10 nautical miles (18.5 kilometers) from the Taiwanese island of Wuchiu and 10 nautical miles away from Tungchu and Hsichu islands, which are part of the Taiwanese-held Matsu island chain, the ministry said.

The exercises are the closest so far to Taiwanese territory in the eight-month-long series of Chinese drills near Taiwan, analysts said.

Taiwan: Defense Ministry on China's 3d Day of Exercises

OW1403132496 Taipei China Broadcasting Corporation News Network in Mandarin
1100 GMT 14 Mar 96

[From the "News" program]

[FBIS Translated Text] The Ministry of National Defense [MND] indicated today that the Chinese communists dispatched more than 20 batches of naval aircraft and more than 40 warships for their naval and air live-ammunition exercises in the third day. It added that the Chinese Communist Air Force carried out its military exercise in the designated zone.

The MND Military Spokesman's Office indicated that the Chinese Communists mobilized more than 20 batches of aircraft of their naval air units — including fighters, interceptors, bombers, and helicopters — as well as more than 40 warships for their military exercise conducted near the Tungshan Island. It added that the combined naval and air exercise included for-

mation flying, firing missiles from the air, air-to-surface bombings, and so forth.

The Military Spokesman's Office stressed that the today's exercise was conducted within the designated zone, and that the National Armed Forces have been closely monitoring the Chinese Communist Air Force's military exercise in Fuzhou areas.

The Military Spokesman's Office added that, under the principle that national security is not affected, the MND will continue to provide countrymen with the latest information about the Chinese Communists' military exercise.

Taiwan: Defense Ministry Observes 3d Day of PLA Exercise

OW1503025196 Taipei CNA in English
0220 GMT 15 Mar 96

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei, March 14 (CNA) — The Ministry of National Defense said Thursday [14 March] that the People's Liberation Army mobilized more than 20 groups of airplanes and 40 warships on the third day of live-fire war games along Fujian Province, on the southeastern coast of Mainland China.

"Several types of PLA Navy aircraft, including fighter jets, attackers, bombers, helicopters, and some 40 warships engaged in joint sea-air maneuvers, flight formation, live missile-firing and bombing," the military spokesman's office said in a news release.

But it said the maneuvers were confined to the declared war-games areas and were closely monitored by the ROC [Republic of China] armed forces.

The office also promised to provide the public with updated information regarding the PLA live-ammunition war games on condition that national security is not compromised.

The statement did not identify the types of PLA Air Force airplanes involved in the drill but said they were discovered conducting exercises around the Fuzhou area.

According to the Defense Ministry, the PLA mobilized 30 warplanes, including the top-of-the-line Sukhoi Su-27, on the second day of exercises.

The war games, launched on Tuesday and scheduled to last through next Wednesday, are believed to be part of Beijing's efforts to rattle Taiwan voters in the run-up to the March 23 direct presidential election.

Taiwan: Taipei Denies PRC Plane Defection, Naval Exercises

*OW1503064696 Taipei China Broadcasting Corporation News Network in Mandarin
0400 GMT 15 Mar 96*

[From the "News" program]

[FBIS Translated Text] Regarding the rumor that a military plane of the Chinese communists today defected to our side and landed at Taichung's Chingchuankang Air Base, the Ministry of National Defense and the Air Force officially denied the report this morning.

Also, Japan's YOMIURI SHIMBUN reported yesterday that our country's armed forces would stage exercises under the codenames Pinghai and Puchin in Tung Hai [The East China Sea], citing a military source in our country. Our navy has also seriously denied the report.

Following the passing of a report on the defection of an Air Force Plane [of the Chinese communists] this morning, the Ministry of National Defense has checked with the local military unit through the Air Force and confirmed that it was a rumor. An official of the Air Force Headquarters also said that there was no such event.

Japan's YOMIURI SHIMBUN yesterday, citing our military source, reported that our country's armed forces would stage a naval exercise under the codename Ping Hai and an antisubmarine exercise under the codename Puchin in Taiwan's eastern coastal areas within this week. Officials of both the Ministry of National Defense and the navy denied the report. A naval official also explained that, more than a decade ago, the navy staged a naval maneuver under the codename Ping Hai, but the exercise has now been cancelled and it has not been held for more than 10 years, and that the navy has never held any exercise under the codename Haichin.

Taiwan: Sung Chu-yu: Regions Must Consolidate To Face Threat

*OW1503013996 Taipei CNA in English
0117 GMT 15 Mar 96*

[By Lilian Wu]

[FBIS Transcribed Text] Kinmen, March 14 (CNA) — Taiwan Provincial Governor Sung Chu-yu said Thursday [14 March] that Taiwan, Penghu [Pescadores], Kinmen and Matzu should consolidate to become an "invincible aircraft carrier."

Sung, who was here for a brief visit, was referring to remarks made nearly 50 years ago by U.S. General Douglas MacArthur, who likened Taiwan to an "invincible aircraft carrier".

Sung said Taiwan cannot depend on other countries for its own security, and that the most important thing in safeguarding national security is the determination to pursue freedom and democracy.

Sung said he was angered by Beijing's intention to disrupt Taiwan's presidential election on March 23 by staging military maneuvers in waters near Taiwan.

He stressed that Taiwan people have the determination to safeguard their freedom and democratic system. Taiwan has to let the world know that it wants democracy, not Taiwan independence, he said. "We have faith in the pursuit of the peaceful unification of China, and it is wrong for Beijing to resort to intimidation by a series of military exercises," he added.

Sung, noting that 85 percent of the troops stationed in Kinmen come from Taiwan, said that it reflects the consolidation and determination of Taiwan to protect its homeland.

Sung conveyed the respects of President Li Teng-hui and Premier Lien Chan to the troops on Kinmen, which has been put on high alert for Beijing's ongoing military maneuvers.

Sung also praised the courage of the military and civilians in Kinmen for remaining calm amid the fight for national security.

Taiwan: CSC, Navy To Cooperate, Enhance Warship Maintenance

*OW1403063296 Taipei China Broadcasting Corporation News Network in Mandarin
0200 GMT 14 Mar 96*

[From the "News" program]

[FBIS Translated Text] In view of the escalation of tensions in the Taiwan Strait caused by the Chinese Communists' military exercises, the China Shipbuilding Corporation [CSC] has indicated that it will coordinate with the Navy in building and repairing vessels with a view to improving its warship maintenance capability.

As some of the Navy's warships were built by the CSC, the CSC has increased the stock of spare parts. Relevant personnel of the CSC said the CSC's 1 million-ton shipyard, the largest in Southeast Asia, and a 100,000-ton shipyard specifically for the Navy can both be made available now; maintenance staff are standing by.

It has been learned that the Navy has dispatched destroyers and high-speed patrol boats loaded with missiles to waters near the Chinese Communists' exercise zone, for monitoring. The CSC has maintenance experience with both. Moreover, two shipyards are more than

sufficient for the maintenance operation. The CSC has built high-speed patrol boats loaded with missiles for the Navy. The Navy's Chengkung, Chenghe, Chikuang, and Yuefei warships built by the CSC were delivered to the Navy for service recently.

Taiwan: Repatriation of Criminals Delayed by PRC Exercises

OW1403102196 Taipei CNA in English
0936 GMT 14 Mar 96

[Lilian Wu]

[FBIS Transcribed Text] Taipei, March 14 (CNA) — The repatriation of criminals from Mainland China to Taiwan has been suspended due to rising tensions between the two sides of the Taiwan Strait, the Criminal Investigation Bureau (CIB) said Thursday [14 March].

According to the Kinmen [Quemoy] agreement signed between Taiwan's Red Cross Society and its mainland counterpart in 1990, Mainland Chinese Red Cross Society agrees to ship the criminals wanted in Taiwan to Kinmen and Matsu to be picked up by its counterpart in Taiwan.

CIB officials said that through the assistance of Strait Exchange Foundation and the Red Cross Society, CIB has brought back 28 wanted men in 15 repatriation operations.

The latest operation, which involved the repatriation of several Taiwan suspects in the arms smuggling, was originally scheduled for Jan. 24.

As the repatriation has a positive effect on reducing Taiwan's criminal activity, CIB officials expressed the hope that cross-strait tensions would ease soon.

Taiwan: Economy Said Unaffected by PLA War Exercises

OW1503031596 Taipei CNA in English
0240 GMT 15 Mar 96

[By Benjamin Yeh]

[FBIS Transcribed Text] Taipei March 14 (CNA) — Economic Affairs Minister P.K. Chiang said Thursday [14 March] that the People's Liberation Army's [PLA] missile tests and live-fire war games, intended as psychological warfare to rattle Taiwan resents, have yet to cast a pall on the Taiwan economy.

In matters of value, exports last month rose by an impressive 16.3 percent on a year-earlier level with exports to the United States, Europe and Japan continuing to increase, Chiang said. Only exports to Hong Kong showed a decline, by 5.6 percent.

On the domestic front, Chiang said that in a survey of 34 major manufacturers in 22 sectors, 82.3 percent of the respondents said their businesses have not been dented by the PTA's [as received] saber-rattling in the Taiwan Strait. Five enterprises said their operations have been slightly affected, while only one complained of "grave influence," Chiang said.

"Generally speaking, a great majority of local enterprises said the impact of the PTA war games and missile tests has been limited," Chiang said. But he added that compared with big enterprises, smaller ones have felt more pressure arising from the flaring tensions in the Taiwan Strait.

In addition, foreign investment also grew by an average 10 percent last month, Chiang pointed out in his report at the sixth meeting of the ad-hoc group formed under the Executive Yuan to handle the ongoing crisis.

Vice Premier Hsu Li-te, also chairman of the Council for Economic Planning and Development, said the stock market has stabilized thanks to the aid of the government.

Earlier this month, the Executive Yuan announced a package to come to the rescue of the anemic bourse — as high as U.S.\$200 billion would be injected into the stock market.

As of Thursday [14 March], NT\$36 billion had been used. The weighted index, the benchmark indicator of the Taiwan stock exchange, has gained some 150 points over the last two days.

The PLA has fired four unarmed missiles into waters near Taiwan since the weeklong test began last Friday, and launched additional military maneuvers on Tuesday. The war games are slated to last through next Wednesday.

Taiwan: Beijing's War Games Not To Stop Import of PRC Goods

OW1503014396 Taipei CNA in English
0132 GMT 15 Mar 96

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, March 14 (CNA) — Despite Beijing's intensifying war games, Taipei will still retain its policy of opening doors wider to mainland products, the Ministry of Economic Affairs [MOEA] said Thursday [14 March].

Publicizing the names of 61 additional mainland items for indirect import Thursday, the 40th liberalization move so far, MOEA officials said they will try their utmost to meet the timetable for allowing 4,000-plus

kinds of mainland products into Taiwan by the end of June.

With the inclusion of the 61 additional items, Taiwan currently allows imports of 2,917 categories of mainland goods. The items in the latest list include crude oil, fuel oil, earthenware, concentrated protein, dish dryers, tea cups, and cathode-ray tubes for low-definition color televisions, the officials noted.

They said the allowing of mainland crude oil and fuel oil products at present has nothing to do with the current volatile situation across the Taiwan strait. Diversifying oil-supply resources is a set policy of the government, they added.

Taiwan currently has two months of security stockpiles of various oil products. Whether Taiwan needs the mainland oil or Mainland China will indeed make the sale at a time when it is buying diesel are not the problems of the government, they said.

The officials said the MOEA will meet next month to review the liberalization policy, and they insisted that the set policy of continuously opening Taiwan markets to mainland goods will be well observed.

Taiwan: Li Teng-hui Calls on People To Elect 'Right Person'

OW1503063096 Taipei China Broadcasting Corporation News Network in Mandarin
0420 GMT 15 Mar 96

[From the "News" program]

[FBIS Translated Text] Kuomintang presidential candidate Li Teng-hui attended a meeting held by farmer's associations of Taipei County this morning. At the meeting, Li Teng-hui said: On the lunar calendar 23 March is the birthday of the Matsu goddess, while 23 March on the national calendar is the day for the presidential election. He hoped that people would elect the right person to be president, one who knows Taiwan and its people well like the Matsu goddess, so that the president may work jointly with the people to solve the problems they are facing and to face the new and changing situation.

Li Teng-hui said: To elect the right person to be president, people should remove the scales from their eyes [tsa liang yen ching; probable STC's 2361 0081 4190 4200] and prudently decide the orientation of the future; otherwise, adverse consequences may be caused to the nation and the people. He stressed that his loyalty to Taiwan would never change, no matter what changes occur in the situation, and that he would stand on the side of the public at any critical moment.

[Begin recording] [Li Teng-hui, in Taiwanese] The times have undergone earthshaking changes; but one thing remains unchanged, and that is the heart of love. [applause] The spirit of our people in supporting the government and loving the government, Taiwan, and the development of the Republic of China on Taiwan should remain unchanged. However, [words indistinct] the Communists want to scare us with their military exercises. The people of Taiwan are great and can keep calm. (?We are not afraid of) 90 or 20 [missiles]. We should protect and care for ourselves and work hard on our own. So long as we rely on ourselves, this place will have a future. [End recording]

Then Li Teng-hui went to the county cultural center to attend the meeting held by the county chamber of commerce. Li Teng-hui stressed: In the future, the nation should fully display its economic strength and continue to advance in the direction of liberalization and democratization, thus striving for the international status that it deserves.

Taiwan: Li Teng-hui Makes Campaign Speech in Pescadores

OW1503005896 Taipei China Broadcasting Corporation News Network in Mandarin
1400 GMT 14 Mar 96

[From the "Hookup" program]

[FBIS Translated Text] Kuomintang presidential candidate Li Teng-hui said today: Pragmatic diplomacy, the pursuit of democracy and freedom, and modernization of our national defense constitute the three major pillars of the nation's survival and development and also the foundation to tide us over the current difficulties and return to the international arena. The following is a report by Li Lu-yi:

[Li Lu-yi] [begin recording] At the meeting to explain his campaign platform in Penghu [Pescadores], Kuomintang presidential candidate Li Teng-hui stressed his five major political principles, including establishment of a community of life in Taiwan, development of society ruled by law, pragmatic diplomacy, democracy, and freedom. He stressed that the five points also constitute the cardinal points of the Republic of China in Taiwan, and the Chinese Communists will not be able to imitate and adopt these points. [passage indistinct] Li Teng-hui also stressed: At the current stage, we have considerable international status in economic terms [passage indistinct].

**Taiwan: Further on Li's Visit to Pescadores
Defense Command**

*OW1403125996 Tokyo KYODO in English
1159 GMT 14 Mar 96*

[By Suzanne Ganz]

[FBIS Transcribed Text] Taipei, March 14 (KYODO) — Taiwan President Li Teng-hui on Thursday [14 March] gave a pep talk to soldiers on a Taiwan-controlled offshore isle as China continued live-fire exercises in the Taiwan Strait just 70 kilometers away.

"I hope you heighten your morale, rally behind our cause and have trust in our country," LI said as he toured the military command on the Pescadores, a group of isles off Taiwan's southwest coast.

LI, the apparent front-runner in upcoming presidential elections, urged the islanders to stand firm in the face of escalating Chinese military drills, Taiwan's semiofficial CENTRAL NEWS AGENCY (CNA) reported.

The president reassured the locals that he has a full grasp of the situation amid heightening tension between Taiwan and China despite being on the campaign trail.

Starting last Friday, China has so far fired four ballistic missiles into waters off Taiwan's two major ports and Tuesday launched complementary naval and air live-ammunition drills in the Taiwan Strait.

The drills are seen as an attempt to erode voter support for Li, whom Beijing suspects of plotting an independent Taiwan, and the major opposition Democratic Progressive Party, which is openly calling for independence.

China has regarded Taiwan as a renegade province since the Kuomintang (Nationalist Party) took refuge on the island after its defeat by communist forces in the Chinese civil war in 1949.

Beijing has not renounced the use of force should Taiwan declare independence or try to forestall eventual unification.

China has reportedly amassed 150,000 troops along the Fujian coast opposite Taiwan for the drills, slated to run through March 20, just three days before Taiwan voters cast their ballots in the first-ever direct presidential election.

The Defense Ministry said Chinese military exercises Thursday involved 20 groups of warplanes including A-5 fighters, helicopters and 40 naval vessels of all types.

It said the live-firing drills near Dongshan Island, located southwest of Taiwan, comprised sea-and-air

coordination exercises, formation flights, air-to-air and air-to-ground bomb runs.

The ruling Kuomintang said Wednesday further drills even closer to election day could not be ruled out.

**Taiwan: Li Teng-hui's Remarks in Pescadores
Reported**

*OW1403204896 Hong Kong Television Broadcasts
Limited in English 1200 GMT 1130 GMT 14 Mar 96*

[From the "News at 1130" program]

[FBIS Transcribed Text] In Taiwan, the Investigation Bureau is looking into alleged mainland espionage on the island. As the People's Liberation Army continues its military exercises near Taiwan, authorities there suspect there are attempts to sabotage the Taiwanese economy, but the unease is not putting off politicians vying to become the next president. Li Teng-hui seemed determined to show Beijing that military intimidation is not going to oust him from his presidency. Speaking in Penghu [Pescadores] today, he made clear he would not give up his efforts to gain international recognition for Taiwan. He was echoed by Taiwan's provincial governor, a message clearly meant for the rest of the world.

[begin possible Li Teng-hui recording] We are not afraid of any intimidation because we know we have good friends around the world. [end recording]

Li Teng-hui has ordered the reconstruction of this bridge, originally built by Chiang Kai-shek, so that he could observe what is going on the mainland from this frontline island. It's supposedly a symbol that Taiwan can stare at the mainland in the face without fear. The ruling Kuomintang's rival, the Democratic Progressive Party, is also selling itself as being able to stand up to China. For the third day running, DPP members went on a seaborne protest against the mainland's action. The party's presidential candidate condemned what the mainland is doing.

[begin Peng Mingmin recording] I don't know how to describe this kind of behavior. I [words indistinct] I could find only two words: [word indistinct] and barbaric. [end recording]

But strong words from politicians are failing to give assurance. Travel agents say more and more people are leaving for the United States. Some of those who cue up for American visas admit they are preparing for the worse. Japan is considering how to help its nationals in Taiwan to go home. The Japanese Exchange Institute said it has received a number of inquiries from people worried about the outbreak of fighting across the Taiwan Strait.

The stock market has just managed to stay calm. Share prices bounced back by about 3 percent today after further government fund injection. But the Investigation Bureau is looking into groups suspected of trying to sabotage the economy during the current crisis. Figures show there was a net capital outflow of \$12 billion from Taiwan during the second half of last year when the cross-strait tension was building up. Some foreign banks are suspected of profiteering from the run on the Taiwan dollar. They allegedly helped local residents transfer their money abroad by selling them American dollars at rates higher than the buying-in rate. At the same time, the Securities Exchange Commission said it is adopting a tough attitude toward speculative share dumping. The stock market has been buoyed up by a government stabilization fund, but it is believed some shareholders are using the opportunity to get rid of their shares. Taiwanese officials also said the mainland is stepping up intelligence gathering in Taiwan in the run up to the presidential election. The director of the Investigation Bureau said spies infiltrate the island by posing as workers or students. Their aim is to spread negative propaganda and break Taiwan in case the military scare tactics do not achieve the same effect.

Taiwan: Daily Cites Li Teng-hui 9 Mar Debate Speech

OW1403012996 Taipei LIEN-HO PAO in Chinese
10 Mar 96 p 6

["Excerpts" of a Speech by Taiwan President Li Teng-hui at a televised debate by presidential candidates sponsored by the Central Election Committee in Taipei on 9 March]

[FBIS Translated Text] Two more weeks to go before 23 March, when the people will really become the master of their country. Some 100,000 young men and women will exercise their right to vote for the first time. I want to congratulate you, because you, after getting the right to vote, will witness the greatest event in 5,000 years of China's history and 400 years of Taiwan's history.

The next four years will be critical for advancing toward the 21st century. To build the country well, the people need to carry out reform and seek development in stability. In the next four years, we should strive to reach five great consensuses, promote five great reforms, and seek five great developments, so that the country can enjoy security, society will be stable, and the people will live in peace.

Five Great Consensuses

1. Operate the great Taiwan and build up the new central plain. Planting our feet firmly on Taiwan and

embracing the mainland in our heart is the basic position of all of our striving. Taiwan is a melting pot for the merging and rebirth of the Oriental, Western, and Chinese cultures. In the overall development of the entire Chinese civilization, Taiwan will surely inject a new growth element and vitality into the progress of the entire Chinese civilization. This is the foundation of the "great Taiwan" and the future for the "new central plain."

2. Build up the community of life and give play to the overall strength. Taiwan is an immigrant society. People on Taiwan, whether they are new comers or late comers, should identify themselves with the land of Taiwan and with all the people on this land. Let us join hands together. Let us be of one mind. Let us be united. Let us give play to the overall strength. Let us get over with the sadness. And let us herald in new hope.

3. Respect personal freedom and display social vitality. Respecting human nature and human dignity is the central thinking of all reform and development. Carrying out the idea of "sovereignty resting with the people" is to bring forth the countrymen's free will, become the masters of their own destiny, and further develop their consciousness of being the "masters of the country."

4. Implement the spirit of the rule of law and create a modern civilization. Promoting democratic reform promotes personal freedom. However, the establishment of a democratic system is the pursuit of a harmonious whole. Therefore, the promotion of democratic reform must be premised upon implementing the rule of law. And implementing democratic constitutional politics must be premised upon perfecting the rule of law.

5. Seek the state's dignity and build up international status. The fact of the existence of the Republic of China [ROC] on Taiwan and its development achievements absolutely brooks no negation. Today, at a time when the international system is leaning toward regional development, we must seek a breakthrough development and play a more important role in a new international framework.

Five Great Reforms

For the country's progress, we should make the five consensuses the foundation to gather up all the strength of the countrymen to continue with the promotion of the five great reforms.

1. Judicial reform. For the ROC to become a modern and civilized country, it is first of all necessary to complete judicial reform and to let politics and society operate in an orderly way within the scope of the law. In going

about judicial reform in the future, we particularly need to proceed from the people's position, raise the public's trust in judiciary, and further protect human rights, so as to give play to the role of reform.

2. Administrative reform. A highly efficient government, high-quality public servants, and modern rules and systems are the trends of the times. We need to make use of a complete administrative framework to build up governments from the central down to the local levels that are clean, efficient, and provide convenience to the people.

3. Education reform. Reforming the educational system and making the educational contents more complete is one of the important future political goals. Educational reform is a modernized education that encourages creativity and helps train talents. We should not stress the pursuit of academic degrees or encourage rote learning. To herald in the 21st century, it is necessary to train the next generation with talents who have a wide international scope. Only then can we expect to advance with the world.

4. Financial reform. In the next four years, we will carry out across-the-board financial reform and strive to reduce financial fluctuations. We will also embark on taxation reform by learning from the advanced countries' "two-taxes-in-one" experience. To stimulate investment, we will reasonably settle the problem of double corporate income tax and general income tax collection and the phenomenon of collecting taxes from shareholders' dividend income.

5. Constitutional reform. The first stage of constitutional reform has been a complete success, which opened up an era of "democracy for all the people." But there are still problems in our constitutional politics. The legislators' term, division of power between central and local governments, and check on local autonomy, to name just a few. Therefore, we need to build a consensus and continue to promote the second stage of reform in constitutional politics.

Five major goals

The goal of reform is to persevere continuing progress. Therefore, we must use the modernized capacity brought about by reform to further advance economic prosperity. We have the following five major goals:

1. Economic liberalization and internationalization. In the future, we will conduct a thorough review of the laws and regulations that are outdated or put too much emphasis on preventing malpractice, and overcome all obstacles to investment so that domestic and foreign businesses can obtain adequate resources in Taiwan to

develop the market in Taiwan and the Asian-Pacific region as a whole.

2. Development of high-tech industries. To enhance the international competitiveness of our industries, we will attract people of talents from at home and abroad, raise the level of science and technology, and turn the already well-developed manufacturing base into technology-intensive industries that yield high added value.

3. Develop more open and transparent cross-strait economic relations and trade. It is our consistent position that cross-strait economic exchanges and trade should be enhanced and mutually beneficial and complementary relations developed. In the next four years, we will gradually expand the level of cross-strait exchanges in step with the implementation of the Asia-Pacific operations hub project and build a more open economic and trade environment for people across the Strait.

4. More efficient use of land resources. In the future, we will turn more agricultural lands into commercial and residential lands, greatly liberalize restrictions on the use of agricultural and industrial lands so that land resources can meet the needs of economic development and can be used in a most efficient way.

5. Making social welfare universal, establishing a sound and rational social welfare system, and taking better care of the lower classes in society. Active participation by female compatriots throughout the country is especially needed for our country's future overall development. Besides helping women with their traditional work, we will continue to encourage them to assume leadership positions and promote them to those positions.

We must consolidate our national defense in the interest of national security. We have institutionalized our military over the past six years. In the future, we must boost our troops' morale and improve their overall combat effectiveness in accordance with the principles of a "strong defense" and "effective deterrence." It is common knowledge that the Chinese Communist military exercises are aimed at obstructing the upcoming presidential election and bringing down the number of votes that might otherwise go to the winner, so as to gain an advantage in any future cross-strait talks. The exercises have arisen from internal struggles and are aimed at deflecting the pressures of their internal social crisis and projecting their military power in the Asia-Pacific region. However, I must emphasize that military intimidation cannot stop us from pursuing democracy, freedom, and dignity with determination.

I solemnly call on the ruling and opposition parties to work together to make the presidential election a complete success and demonstrate to the world the

strong determination of the ROC on Taiwan and of the 21 million compatriots on Taiwan, Penghu [Pescadores], Kinmen [Quemoy], and Matsu in pursuing popular sovereignty. Other countries in the world hope that the two sides of the Taiwan Strait will usher in a new era of peaceful exchanges. Therefore, the ninth president should make the termination of cross-strait hostility the top priority. At this critical moment, the country needs a navigator with strong willpower, bold vision, patience, and gumption to draw on the people's collective power and complete this great historic task that will have a profound impact on stability in the Asia-Pacific region and on peace in the Taiwan Strait.

Taiwan: Ministry: No Contact With Beijing at APEC Meeting

OW1503030296 Taipei CNA in English
0232 GMT 15 Mar 96

[By Maubo Chang]

[FBIS Transcribed Text] Taipei, March 14 (CNA) — The Foreign Affairs Ministry on Thursday [14 March] ruled out contacts with Beijing at the forthcoming Asia-Pacific Economic Corporation Forum (APEC) ministerial meeting in Kyoto, which will be the first official encounter between senior officials of the two rivals at an international forum.

Foreign affairs ministry officials said that APEC is purely an economic forum and not suitable for political dialogue between Taipei and Beijing.

Although ROC [Republic of China] delegates, led by Finance Minister Lin Chen-kuo, will not raise Taiwan's dispute with Mainland China at the meeting, which is scheduled for the weekend, they will explain Taiwan's stance on cross-strait issues at a bilateral meeting with Beijing should Beijing request such a meeting, the officials said.

The ministerial meeting, chaired by Japan Finance Minister Wataru Kobo, will be attended by the economic heads of the 18 APEC members.

Lin has packed 10 side meetings with other APEC member states into his schedule for the upcoming meeting.

Taiwan: Press Release on Executive Yuan Briefing Lien Chan

OW1503103496 (Internet) Taiwan Government
Information Office WWW in English 15 Mar 96

[Press release of the Government Information Office, Republic of China, 14 March 1996; from the "What's New" link]

[FBIS Transcribed Text] The Executive Yuan of the Republic of China held the sixth meeting of its decision-making task force today, March 14, 1996, during which Premier Lien Chan was briefed by the Ministry of National Defense, Ministry of Economic Affairs, Ministry of Finance, Central Bank, Council of Agriculture and Ministry of Transportation and Communications.

The Premier learned that military exercises by the Chinese mainland forces are continuing. Nonetheless, the ROC armed forces are monitoring the situation and shall issue public statements at the appropriate time in the event of new developments.

Premier Lien was then told that the domestic economy has maintained stable growth, with improved performance in February over the previous month. He was also informed that the confidence of ROC citizens has increased, and foreign exchange and stock markets are stable. Accordingly, measures shall continue to be implemented according to plan.

Lastly, it was reported to him that sea and air traffic out of Taiwan remain normal, and commodity prices are stable.

The Premier then stated that the ROC has responded with prudence and self-restraint, for which it has gained worldwide affirmation, and he is grateful for the international concern expressed on the ROC's behalf.

Premier Lien directed that strict attention be paid to any further developments in the military exercises being conducted by mainland forces, and announcements be made at the appropriate time.

Lien Chan placed particular stress on maintaining law and order, so that the elections proceed to completion in timely fashion.

Finally, he directed that the stability of the financial sector should continue to be watched closely, and that responsive measures be adopted as necessary.

Taiwan: Police To Deploy More Vessels To Maintain Security

OW1503015596 Taipei China Broadcasting Corporation News Network in Mandarin
0800 GMT 14 Mar 96

[From the "News" program]

[FBIS Translated Text] In the face of the Chinese Communist military exercises, which have underscored the importance of our country's coastal defense and marine security forces, the National Police Administration [NPA] will appropriate budgetary funds for additional police vessels between 1,000 and 2,000 tons to build up police strength and maintain marine security. Here is a report by Yu Yuan-shen.

[Begin recording] In view of the Chinese Communist guided missile tests, which have harmed our fishermen's rights and interests, the Seventh Security Group has repeated its effort to continue to chase mainland fishing boats out of our country's territorial waters and to advise our fishermen to stay away from the declared zones of the Chinese Communist military exercises. On the afternoon of 14 March, NPA director Yen Shih-hsi said that budgetary funds have already been allocated for additional police vessels between 1,000 and 2,000 tons to maintain marine security. The Chinese Communist military exercises have highlighted the importance of our country's coastal defense and marine security. However, the Seventh Security Group's 65 police vessels are all under 800 tonnes. They are too small to operate efficiently on sea amid fierce northeastern winds in the winter or under adverse weather conditions. However, to carry out their duties, the vessels were often put to sea in risky conditions to crack down on smuggling ships. Therefore, to build up police forces, the NPA plans to increase police vessels between 1,000 and 2,000 tonnes. However, construction of police vessels will take at least three years to complete and even longer if the budgetary funds are cancelled or put on hold. This issue merits study by the relevant departments. Furthermore, in the wake of Japan, Korea, and the Philippines successively declaring 200 nautical miles as their economic territorial waters, the Seventh Security Group's patrolling limits should be increased from 12 to 30 nautical miles in the interests of our country. This, too, merits study by the relevant departments as soon as possible.

Taiwan: ARATS Accuses SEF of Violating 'One China' Principle

OW1503060096 Taipei China Broadcasting Corporation News Network in Mandarin
0400 GMT 15 Mar 96

[By Wang Cheng-ping; from the "News" program]

[FBIS Translated Text] After the mainland's Association for Relations Across the Taiwan Strait [ARATS] returned the Strait Exchange Foundation's [SEF] protest statement and accused Taiwan of violating the principle that there is only one China, the SEF noted this morning that it has once again sent a letter to ARATS, stating that SEF cannot understand their accusation.

In view of the Chinese Communists' military exercise, the Mainland Affairs Council of the Executive Yuan authorized the SEF to send letters to the mainland's ARATS on 8 and 9 March to express our protest and condemnation [qian ze; probable STC's 6232 6307]. In Taiwan's letters to them, the words "Republic of China" [zhong hua min guo; probable STC's 0022 5478 3046 0948] are used.

The Chinese Communists reacted strongly to the SEF's letters. ARATS returned the letters on 11 March and criticized Taiwan for violating the stand that there is only one China and advancing on the road of one China, one Taiwan or two Chinas.

At a news conference held on 15 March, the SEF pointed out that it had sent another letter to ARATS on 13 March expressing its inability to understand the ARATS accusation and pointing out that only sensible exchanges and negotiations on an equal footing can conform to the interests of people on both sides of the Taiwan Strait. Li Chin-ting, SEF deputy secretary general, related the contents of the 13 March letter to the mainland. Li Chin-ting said: [begin recording] It is very difficult to understand the accusation of violating the principle of one China. On the issue of one China, your association and this foundation each made oral explanations and reached understanding of each other's stand during the 1992 talk between your association and this foundation in Hong Kong. [end recording]

Answering a reporter's question on whether ARATS' returning the SEF's letters was due to the words "Republic of China" in the letters, Li Chin-ting said that he had no comment on the matter.

Taiwan: DPP Criticizes Qian, Tells People To 'Blame China'

OW1503052896 Taipei CHUNG KUO SHIH-PAO in Chinese 13 Mar 96 p 6

[FBIS Translated Text] Taipei, March 13 — The DPP [Democratic Progressive Party] presidential campaign office yesterday expressed strong dissatisfaction over Chinese Foreign Minister Qian Qichen's remark that Taiwan's direct presidential election is a first step toward independence. The DPP office argues that Taiwan's presidential election and independence only serve as excuses for China to expand military power and dominate Southeast Asia. Otherwise, why didn't China attack Taiwan in 1992, when Taiwan reelected all its Congressmen?

Taiwan has been an independent regime since 1949, says the DPP office. Though named "Republic of China" inappropriately, Taiwan was never ruled by China. The recent escalation of China's military exercises against Taiwan is not prompted by the independence group's gaining ground over the reunification group in Taiwan, but by China's own political aims.

On the one hand, the Chinese military plans to increase its influence on political decision-making as the post-Deng power struggle is surfacing. On the other hand, both the KMT [Kuomintang] in Taiwan and the communists in China stress that Taiwan is a part of China. China believes the military exercise against Taiwan is a domestic affair and takes advantage of this legitimacy to threaten Taiwan and challenge the United States' position in the Asia-Pacific region, thus establishing itself as a sea superpower in East and South Asia. The DPP office calls for countries all over the world who love freedom, democracy and peace to blame China.

Taiwan: DPP Propaganda Chief Chen Wen-chien Profiled

96CM0162A Taipei HEIPAI HSINWEN [TAIWAN WEEKLY] in Chinese 4 Dec 95 No 114, pp 58-61

[Article by Tsai Hui-lin (5591 1979 3829): "The Charming Chen Wen-chien Has Made the DPP More Gentle"]

[FBIS Translated Excerpt] A Brief Profile of Chen Wen-chien

Chen Wen-chien [7115 2429 5409], is called Sissy in English, was born in 1958, graduated from Taiwan U [University] Law School, and has a PhD in history and social studies from the New School in New York.

Place of birth? (Uncertain, but her paternal grandmother was Japanese, her father was born in Lotung, Yilan [Taiwan], her mother was from Taichung, and the

amount of property that she will inherit from her parents will hinge on her father or mother's place of birth.)

Most liked pet — dogs (One is called Baby Buddha, and the other Meli Lama, or Chen Mei-chih in Chinese.)

Most respected person — Formosa (Because he did not survive, and she respected him in her youth for his work in reeling off raw silk from cocoons.)

Most liked people — Chen Fang-ming [7115 5364 2494] (for prose), French historian Block, Italian movie director Balducci, artist Hung Tung, music composer Philip Caruso, and politician Wu Nai-jen [0702 0035 0088] (because he is most unlike a politician.)

Most disliked people — None (because she can never dislike anyone for more than a day.)

Despite the general impression that all "spokesmen" are models of irreproachable solemnity, since DPP [Democratic Progressive Party] Chairman Shih Ming-teh has been using a woman as his party's propaganda chief, outsiders have come to believe that even a party spokesperson can be charming too. We are referring of course to Chen Wen-chien, who has burst into the media spotlight in recent months.

Since Chen Wen-chien's burst onto the TV call-in stage, her theoretical political grounds, skill in quoting from many sources, and incisive analyses have been well-received by the electronic media.

The rush to get her on call-in shows has become almost a sideline, with many viewers liking her very much, often calling in to the central party headquarters to urge her on.

DPP Secretary General Chiu Yi-jen says that Chen Wen-chien is "doing quite well," in that since she took over as the party's propaganda chief, she has obviously left the impression that "the DPP seems somewhat different." Not to leave any misunderstanding over such "somewhat difference," Chiu Yi-jen goes on to clarify that he certainly does not mean that the DPP has lost anything, but rather that its general impression has been "lightened," in that "it can include someone like Chen Wen-chien."

So just what kind of a person is Chen Wen-chien? And how did she make such indissoluble political bonds?

Chiu Yi-jen says that she is "bright and quick to respond," while Tungwu U Political Science Professor Kuo Cheng-liang [6753 2973 0081] (Chiang-hsun) [3068 6598] holds that she is particularly capable. Former DPP Chairman Hsu Hsin-liang once praised her as a "gifted child," while even current DPP Deputy Secretary

General Lin Wan-yi, with whom her working relations are at a low ebb, also quite confirms

Chen Wen-chien's talents. Chen Wen-chien says that she "has quite extreme character conflicts," being at times very rational but at others quite emotional, either quite calm or very lively, and "at times getting along with friends very well, while at others seeming unsociable." Signs of such polarity can actually be seen in the changes in the press releases put out by the DPP Propaganda Department. When referring to the matter of the security of the Taiwan Strait, she cites the expert versions in support of her statements and her party's stand, being quite calm and rational. But when raising her concerns over Taiwan's ending up in the same plight as Hong Kong, her press releases seem more proselike.

"No matter how blue the sky over Hong Kong, its future will be forever murky...." "history is like a puppet play, always repeating itself. Hong Kong in 1997 is very like Taiwan in 1947...." Those were the press releases that Chen Wen-chien wrote a day after the announcement of Hong Kong's Legco [Legislative Council] elections.

As her paternal grandparents were both talented students at Japan's Wutsang Music Academy, and Chen Wen-chien had been trained in music since her youth to a high degree of musical skill, why did she not become a musician? That was because of the impact on Chen Wen-chien of the lifetime experiences of her maternal grandfather Chen Chi-pi. "My mother's father was a director of the Taiwan Literary and Arts League of the Cultural Association, quite active in literary and arts circles. As his younger brother suffered a mental breakdown after the 28 February incident, my grandfather consequently hated bitterly those people from other provinces, but was subsequently forced by circumstances to join first the KMT [Kuomintang] and then the CPC, being ultimately frustrated until the time of his death." Those are some of Chen Wen-chien's memories. How much did her maternal grandfather's tragic life affect her? Chen Wen-chien says that "I learned that politics is not talk but rather action, with the bitter price paid by my grandfather making me understand that life must be let go of when its time to end arrives." She emphasizes that the most crucial impact was that it left her unwilling to become an ideological extremist, rather influencing her to keep a certain space or distance from which to view the world's affairs, being suspicious of both her own and others' views.

With such an understanding, Chen Wen-chien has always been a leader with pluralistic views. All the way from her student days of participation in the opposition movement to her succession to a party post, she has

built truth through debate or exchange of views with others.

From her early unsettled days, Chen Wen-chien has been in politics for nearly two decades, with few of those in the party of her age having as long a political history. At the "spirited" age of 21, when the Meili Island incident occurred in Kaohsiung, she demonstrated against the authorities' actions, which was the start of her participation in the nonparty movement. Meanwhile, as she had been introduced by a Taiwan U [University] law professor to Yu Ching [1429 3237], the lawyer who was defending those who had been tortured in the Meili Island case, she boldly volunteered to serve as Yu Ching's assistant, helping him collect data on behalf of the eight who had been tortured.

And she subsequently helped Yu Ching's campaign for an additional oversight committee, as well as helping in the campaigns of Meili Island victim dependents Chou Ching-yu and Hsu Jung-shu, getting into politics step by step.

While such associations show that Chen Wen-chien's "political awareness" had been raised quite early, it was probably because she had played no major role that she had never perceived how deep her political roots really were. "I had never been aware of that until after my recent succession to a central party post, when I was called on TV a 'political figure,' about which I asked myself 'Am I really?'"

and which consequently led me to truly realize my own feelings and outsiders' views." It is probably this subconscious refusal to accept herself as a political figure that has left Chen Wen-chien still so unaccustomed to accepting the fact that political figures have to try to outwit each other.

With the DPP having made this year's election campaign a crucial one in its movement to take power, Chen Wen-chien has a large responsibility in running its propaganda [publicity] department. She has been assessed as having both pros and cons, with her pros being her new point of view, her creativity, and her talents, while her cons are her impatience and arrogance. While she made the DPP's ninth anniversary celebration a bustling and glittering event, she was criticized by fastidious traditional DPP figures for its "too artistic" stage setting and some of the items on its program. There was also recently a stir over the propaganda department's spending on "stars" such as Lo Ta-yu to sing the campaign song, midway in which he shouts "Kill!" In addition, some academics from the Taiwan Church have criticized Chen Wen-chien on underground TV for her inappropriate views and remarks on the Taiwanization of the KMT, which have been reported to Chairman Shih

Ming-teh. All of this is the controversial reality of her four months in office. But Chen Wen-chien explains that "while it is probably my initiatives and improvements that have naturally brought such pressures, 'controversy is invariably transient'."

While many listeners like to hear Chen Wen-chien's verbal battles with KMT Cultural Commission Director Chien Han-sheng and Deputy Director Tsai Pi-huang or CNP [Chinese New Party] Secretary General Chao Shao-kang, the full-of-repartee Chen Wen-chien does not like to confront these figures, as their ignorance of the facts makes her angry. She wonders: When did Taiwan's political climate turn to such a state of nothing but railing at and attacking each other? Is it due to those in authority, or rather to our quality of democracy having fallen behind our degree of openness? "In past nonparty times, everyone held that I was a bright but troublesome young lady so that, even when I made irresponsible remarks about 'such and such a person,' everyone considered my age so that such remarks did not disrupt our mutual relations; but the situation is more political now, with much different perceptions." Such deep feelings show that she quite takes to heart rumors of internal conflicts, even past ones, encountered within the central party headquarters over differences of opinion with her colleagues.

Another interesting matter about Chen Wen-chien is her "affair" of the heart. Her former husband is now working with her in the DPP Central Committee headquarters. He is Public Campaign Director Ho Tuan-fan [6320 4551 5603] (from whom she is now divorced), but there is a legendary story about their marriage. It is understood that when Chen Wen-chien and "Old Ho" were girlfriend and boyfriend a decade ago, "Old Ho"

was working quite closely with Chiu Yi-jen. So when Chiu Yi-jen was arrested by the KMT and held for three days, as the regulations provided that only a spouse could make prison visits, Ho was afraid that he too would one day be taken in chains to prison with no one to visit him, so he asked Chen Wen-chien to marry him. But not long after they were married, Chiu Yi-jen was safely released, and Ho was never arrested. And while it is widely known among DPP figures that this marriage was completely due to the involvement of a go-between" (Chiu Yi-jen), that "go-between" always responds to questions about the matter that he is "innocent."

When Chen Wen-chien was studying at the New School in New York City, she organized a study group to give overseas Taiwanese students a warm environment in which to exchange overseas living and learning experiences. As she would accompany new students to find and rent apartments, buy daily necessities, and handle other incidental matters, all young Taiwanese students studying at the New School would report to Chen Wen-chien upon their arrival in New York City, with everyone regarding her as a 'big sister.'

And to keep those overseas students from getting out of touch with all that was going on in Taiwan, she started a publication concerned with social and political movements, which included current articles by well-known figures and provided news on Taiwan, overcoming many difficulties to publish it by fax. But it stopped publication a year later because there was no one who could do such seemingly unrewarding work with as much zeal and determination as her. [passage omitted]

Hong Kong

Hong Kong: Officials Hold 7th 'Informal' Meeting 14 Mar

OW1403141496 Beijing XINHUA in English
1250 GMT 14 Mar 96

[FBIS Transcribed Text] Hong Kong, March 14 (XINHUA) — Chinese government officials and senior Hong Kong civil servants held a seventh informal get-together here today.

At a news briefing after today's meeting, Yuan Pengyan, secretary-general of XINHUA NEWS AGENCY Hong Kong Branch, said that like the previous six sessions, the seventh informal get-together was a success.

He said that since last November, Chinese government officials and senior Hong Kong officials had met on six previous occasions in Hong Kong and the informal get-togethers promoted exchange and understanding between the two sides.

According to Yuan, the two sides have agreed to make a readjustment on the timetable for the informal get-togethers: from this session on, two get-togethers will be arranged in two successive days so as to make it more convenient for officials from both sides to attend.

Eight Chinese government officials from XINHUA NEWS AGENCY Hong Kong Branch, the Hong Kong and Macao Affairs Office of the State Council and the Office of the Chinese Senior Representative of the Sino-British Joint Liaison Group and seven senior Hong Kong civil servants attended today's informal get-together.

Hong Kong: Officials Hold 8th 'Informal' Meeting 15 Mar

OW1503114996 Beijing XINHUA in English
1142 GMT 15 Mar 96

[FBIS Transcribed Text] Hong Kong, March 15 (XINHUA) — Chinese government officials and senior Hong Kong civil servants held their eighth informal get-together here today.

At a news briefing after the meeting, Yuan Pengyan, secretary-general of XINHUA NEWS AGENCY Hong Kong Branch, said that with the economic development on the Chinese mainland and increasingly closed [as received] cooperation between Hong Kong and the mainland, Hong Kong's civil servants will play an important role in the exchange and cooperation between the two sides.

He said that the civil servants attending the seventh and eighth informal get-togethers mainly come from

the planning, environment, lands, and industrial departments.

He said that these departments are vital to Hong Kong's investment and living environment as well as to people's daily life.

He urged the civil servants to work as the master of Hong Kong in the remaining 400 days of the transition period.

He called on the civil servants to take into consideration Hong Kong's long-term development while fulfilling their commitment.

On the projects and related matters which will go beyond 1997, Yuan said that they can only be carried out according to the consensus reached between the Chinese and British sides.

He said that such an attitude will benefit Hong Kong's smooth transition and long-term prosperity and stability.

Hong Kong: PRC Has 'De Facto Veto' on Budget Elements

HK1503103496 Hong Kong SOUTH CHINA
MORNING POST in English 15 Mar 96 p 1

[By Sharon Cheung and Chris Yeung]

[PTS Transcribed Text for FBIS] China has been given a de facto veto on major elements of the 1997-98 Budget under a consensus reached by Joint Liaison Group experts yesterday.

Chinese team leader, Chen Zuoer, said at the end of a two-day meeting that they had agreed every major decision relating to the Budget should be endorsed by both sides through meetings beginning next month.

"We will have discussions and take decisions on major revenue and expenditure policies and other important issues," he said.

"The procedure for actual formulation of the relevant parts will only begin after a consensus is reached."

The detailed drafting work, he added, "is something which will have to be undertaken by Hong Kong government departments."

His British counterpart, Secretary for the Treasury Kwong Ki-chi, said China had agreed the 1997-98 Budget should follow the timetable of previous budgets.

"We are equal partners on this issue," he said. "I think the most important thing before us is to strengthen co-operation in order to reach consensus on the 1997-98 Budget so that we can have a smooth transition."

"It is our aim that we should reach rapid consensus as far as possible so that we can continue with the budgetary process on a step by step basis."

The Democratic Party last night blasted the agreement as an "unwarranted and unprecedented encroachment on Hong Kong's promised economic autonomy".

"This is the most blatant sign yet of China's intent to control Hong Kong's economy and one of the most spectacularly craven recent concessions by the British Government," said the party's economic affairs spokesman Dr Huang Chen-ya.

Dr Huang questioned why the Legislative Council [Legco] had not been consulted. Legco must ultimately approve the Budget.

"Does Britain really think that giving China a de facto veto over the Budget's content can be good for Hong Kong's economic situation?" he asked.

A government source said last night that the 1997-98 Budget was unique, adding that China had promised full autonomy for Hong Kong on budgetary issues after the changeover.

"We do not think our autonomy has been compromised," the source said.

The official declined to say whether the Government could still stick to its timetable if China did not endorse specific policies.

"The Chinese side understands the timetable is tight... Over major issues, I don't see any difficulty in getting a consensus. After all, we are trying to balance the needs of the whole community," the source added.

The source said details of the participation of the chief executive-designate and his team in the budgetary process still had to be discussed.

"We are passive on the question of when the chief executive will be appointed," the source said. "We also cannot pre-empt how he wants to take part in the process."

Another source admitted much would depend on whether China would make a fuss on every budget issue but added the two sides were keen to reach a compromise.

Hong Kong: Meeting on Budget During Transition Period Ends

OW1503111096 Beijing XINHUA Domestic Service
in Chinese 0200 GMT 15 Mar 96

[FBIS Translated Text] Hong Kong, 15 Mar (XINHUA) — The seventh Sino-British meeting of experts to discuss the drafting of Hong Kong's budget and other

related issues during the transition period ended in Hong Kong on the afternoon of 14 March. Based on the common understanding reached by the Chinese and British sides during the sixth meeting on the three issues brought up by the Chinese side, the meeting continued to discuss drafting Hong Kong's budget for fiscal year 1997-98, and it made major progress in some areas.

Chen Zuoer, head of the Chinese group of experts and Chinese representative to the Sino-British Joint Liaison Group [JLG], told reporters after the meeting that the common understanding achieved at the meeting could be observed in three main areas: 1) Both sides had initial discussions of a common timetable which they maintained were essential; that under normal situation the two sides should meet once a month to discuss and decide on policies governing revenues and expenditures as well as other issues about Hong Kong's 1997-98 budget; and that, when the two sides have reached an agreement over the issues under review, the decisions will be carried out in the budget drafting procedures. 2) While departments of the Hong Kong Government will draft the 1997-98 budget, the Chinese and British sides will discuss and approve the drafting results of all stages. 3) The Chinese side once again explained to the British side the importance of the Chinese side hiring some members of the Preparatory Committee of the Hong Kong Special Administrative Region to be consultants. The Chinese side also briefed the British counterparts, and had an understanding, about the four Preliminary Working Committee members whom the Chinese side hired as its advisers, as well as their good confidentiality records.

Chen Zuoer said: Because the budget will straddle 1997, and the British side will execute the budget of the first three months and the Chinese side will execute the budget for the remaining nine months, a comprehensive budget will be very important for Hong Kong's smooth transition. He stressed: We are making every effort to cooperate with the British side in drafting the budget. We hope the budget will be a product of co-operation; a comprehensive budget carefully conceived; and a budget that can safeguard the current effective financial system and scrupulous financial management as required by Articles 107 and 108 of the Hong Kong Basic Law. Chen Zuoer concluded that, after the meeting, the two sides will, through official and unofficial channels, continue to discuss ways to deal with their unresolved differences.

The meeting of experts lasted two days. Kuang Kei Chi, treasurer of the Hong Kong Government, was chief of the British side's group of experts.

Hong Kong: JLG Agrees on Timetable for Transitional Budget

OW1403234496 Beijing ZHONGGUO XINWEN SHE
in English 0541 GMT 14 Mar 96

[FBIS Transcribed Text] Hong Kong, March 14 (CNS) — The 7th round meeting of financial experts to the Sino-British Joint Liaison Group (JLG) today agreed on a timetable and other matters preliminary to the formulation of the 1997-98 transitional budget.

Today, the last in the two-day session, both Chinese and British representatives Chen Zou'er and Kwong Ki-chi acknowledged the need for greater co-operation in the compilation of a comprehensive budget.

Mr. Chen, when answering reporters questions, said that at a previous meeting, both sides arrived at a consensus on the three main principles put forward by the Chinese side. During the present meeting, Chinese recommendations were discussed in great detail.

This budget would straddle the period of the handover with the effect that the British side would be responsible for the first three months of the 1997-98 fiscal year and the Chinese side for the remainder.

Through joint efforts, the Chinese side was hoping for a cautious, sound and comprehensive budget in line

with sections 107 and 108 of the Basic Law. Effective, prudent financial management systems and techniques would continue to be employed, Chen continued.

Both sides realized the genuine need of a common timetable. Preliminary discussions had been held and a timetable set for April.

Both sides would hold further discussions on directions for revenue and expenditure and other important issues. Once matters were agreed, actual compilation would commence.

The groundwork would be done by individual departments of the British Hong Kong Government prior to being submitted to the JLG.

In addition, Mr. Chen said, it had been explained to the British side that a number of Preparatory Committee members had been appointed as advisers to the Chinese side in exactly the same way as Preliminary Working Committee members had at an earlier stage.

Their dedication, respect for confidentiality and generous donation of their time was much appreciated.

Differences that remained would be sorted out at the appropriate time and in the appropriate manner.

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 392
SPRINGFIELD, VA.

This is a U.S. Government publication produced by the Foreign Broadcast Information Service (FBIS). Its contents in no way represent the policies, views, or attitudes of the U.S. Government.

FBIS collects, translates, disseminates, and analyzes foreign open-source information on behalf of the U.S. Government. Its publications may contain copyrighted material. *Copying and dissemination is prohibited without permission of the copyright owners.*

- Bracketed indicators before the first sentence of each item describe the way in which the material was processed by FBIS.
- Headlines and all bracketed explanatory notes are supplied by FBIS.
- Personal and place names are rendered in accordance with the decisions of the U.S. Board on Geographic Names as adapted by FBIS. Unverified names in radio and television material appear in parentheses and are spelled phonetically; words and phrases in parentheses preceded by a question mark are unclear in the original and deduced from context.

SUBSCRIPTION INFORMATION

U.S. Government Customers

For a list of FBIS products, to subscribe to an FBIS publication, or to indicate a change of address contact:

FBIS
P.O. Box 2604
Washington, DC 20013-2604
Telephone: (202) 336-6736
FAX: (202) 733-8042

Non-Government Customers

Subscriptions are available from the National Technical Information Service:

NTIS
5285 Port Royal Road
Springfield, VA 22161
Telephone: (703) 487-4630
FAX: (703) 321-8547

New subscribers should expect a 30-day delay in receipt of the first issue.

END OF

FICHE

DATE FILMED

21 March 96

